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Aid to Vietnam —

An American
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Based on a conference
sponsored by the

AMERICAN FRIENDS OF VIETNAM
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American Friends

Conference on
**Aid to
Vietnam—**

**An American
Success Story**

Based on a conference
sponsored by the
AMERICAN FRIENDS OF VIETNAM

JOSEPH BUTTINGER
Conference Chairman

GENERAL JOHN W. O'DANIEL
*Chairman,
American Friends of Vietnam*

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INTRODUCTION

THIS BOOKLET IS BASED ON ADDRESSES PRESENTED to the "Conference on Aid to Vietnam—An American Success Story," called by the American Friends of Vietnam in Washington, D.C. on April 17, 1959.

The spirit of the Conference contrasted strongly with the uncertainty and discontent that mark today's temper in Washington in regard to foreign aid. In spite of the soberness and factual particularity of the speeches and reports, the Conference began and ended in a lively and confident mood. The attention of the large audience was aroused and maintained throughout the entire proceedings by the quality of the speeches, while a positive, though by no means uncritical, approach to the thorny problems of giving aid ruled out the feeling of futility that such gatherings often produce. Pride in achievement was balanced by an awareness that errors were made and that even greater tasks still lie ahead. But there was nothing depressing in the criticisms that were advanced; they were made in the sound belief that serious public discussion of past errors can only help us to improve upon past performance.

This happy result we owe chiefly to the speakers who, both at the luncheon and at the afternoon session, transformed our unambitious meeting into a politically and intellectually most rewarding event. General John W. O'Daniel, National Chairman of the American Friends of Vietnam, struck the right note for the day with his warm and forceful words of praise for the Vietnamese people and of welcome to the many of their assembled American friends. Messages from Presidents Eisenhower and Ngo Dinh Diem reminded the audience that the work of our organization is appreciated by those in high office who know how much the success of government policies depends on support by an informed public. The remarks of the Vietnamese Ambassador to the United

States, notable as always because Mr. Tran Van Chuong wastes no time on trivia in making his point, then set the stage for the main event of the luncheon meeting, the speech by the Honorable Chester Bowles, Member of Congress from Connecticut. By showing how American foreign policy, if unenlightened, must retard, but if understanding and inspired, can greatly advance the cause of freedom in Asia, our former Ambassador to India supplied the indispensable larger frame of reference for measuring the importance of the specific subjects on the Conference agenda.

Three subjects, which filled the afternoon session, were the ICA program since 1955, the building of a strong Vietnamese national army and voluntary American aid to Vietnam.

Each subject was presented by a man whose qualifications for it are not likely to be matched by many other Americans. In describing the American people's response to the needs of the Vietnamese people, Mr. Richard Reuter, Executive Director of CARE, avoided the tiresome platitudes that are common in talks on work that springs from humanitarian motives. Instead, he gave us solid facts to demonstrate the impact and sound argument to underline the political significance of private American aid. Major General Samuel L. Myers, former Deputy Chief of the United States Military Assistance Advisory Group in Vietnam, had things to say about the Vietnamese army that were news even to people who rightly consider themselves well-informed about Vietnamese affairs. We all know that the army we helped to build for South Vietnam protects the country against Communist aggression. But American military assistance to Vietnam has provided more than the shield behind which the Government and people can now devote themselves to the improvement of economic and political conditions. The training of soldiers, the construction work done for and through the army, contribute substantially to the skills, as well as to many other prerequisites, of economic progress in South Vietnam.

American aid to Vietnam being in fact the sole topic of the Conference, it was only logical that the International Cooperation Administration's program since 1955 became the major item on the agenda. This would have been the case even if a man less experienced in the problems of assistance to other countries had given us the magnificent report of achievement through American

aid to Vietnam. We are indeed proud to be able to include in this publication the report to the Conference by Mr. Leland Barrows, Regional ICA Director for the Near East and South Asia, who headed the ICA program in Vietnam from October 1954 to December 1958.

This was the fourth such Conference the American Friends of Vietnam has held since it began its work for Vietnamese-American friendship almost four years ago. If, as we believe, information and education of the public to promote better understanding among the people all over the world is the chief task of an organization like ours, the Washington Conference of April 17, 1959 has once more demonstrated that the American Friends of Vietnam exists for a vital purpose. Of this a great and still growing number of Americans is aware. For our last Conference has also shown that we have lost none of our old, and have gained many new, friends for the cause we are trying to serve.

JOSEPH BUTTINGER

Chairman, Executive Committee

June 15, 1959

ADDRESS

by TRAN VAN CHUONG

*Ambassador of the Republic of Vietnam to the
United States*

YOU CERTAINLY KNOW THAT ASIANS ARE accustomed to think and speak humbly of themselves. They say: "your wonderful country, your noble people," but "my humble home, my backward people."

Therefore I was rather frightened at the prospect of my country's being spotlighted as a success story. However, the Vietnamese success was not only due to President Ngo Dinh Diem and the Vietnamese people but also to such advisers as General O'Daniel, Mr. Leland Barrows, General Myers, to mention only some of those present here; this success would not have been possible without American aid; it is therefore also a great American success and I have no right to be modest about it. On behalf of my people, it is my duty and pleasure to pay the American Government and people, and the American Friends of Vietnam, a just tribute of gratitude.

In fact, in these years when the dark tides of Communist imperialism have engulfed hundreds of millions of people and are threatening millions of others, it is not only the good luck of Vietnam, it is the good fortune of the free world and the hope of all mankind that the United States is at the same time powerful and wise enough to stand firm, give help and inspire confidence to those who do not want to surrender.

Let me say, however, that the concept of mutual security should be more fully understood and practiced.

In this atomic age, the world has so shrunk that West Berlin and West Germany have become symbols of liberty to be defended

at any price, and such far-away countries as Japan, Vietnam or Thailand, outposts to the free world and to American security.

This has been well explained by such authoritative voices as that of President Eisenhower and well understood by the best minds in this country, but full implications of these facts have not yet been realized either in America or in Asia.

We know that mutual security is the very condition of our survival as free nations but we still think of each other only as friendly aliens to be given some help or not to be discriminated against. We have not yet fully treated each other as allies already engaged in a war for survival. Yet, in fact, we are already engaged in such a war.

We have lulled ourselves into half-consciousness and half action by calling it the "cold war," but during these last fourteen years, this cold war has almost always been hot for some people or another of the free world. It was hot for the Chinese mainland for four years, from 1945 to 1949 during the Chinese civil war; it was hot for the Vietnamese and the French for eight years, from 1946 to 1954, during the Indochinese War; it was hot for Korea, for the United Nations and the United States itself for three years, from 1950 to 1953, during the Korean War; it was hot for Hungary in 1956; it would have been hot for Laos if Laos had resisted the occupation of part of her territory by the Communist Viet-Minh; it was hot for Quemoy, Matsu and Nationalist China yesterday; it is hot for Tibet now; it may be hot for all of us tomorrow.

Indeed, the cold war has been a real shooting war in which only the battlefields and our casualties have changed. I say: *our* casualties because there have been *no* Russian casualties.

Most of the time, all the Communists had to do was to divide and conquer, and the cold war has been cold only when the Reds were digesting their victims.

If these facts are true (and they are) we should recognize that we have no chance of survival as free men and free nations if we keep standing in dispersed order against such a formidable bloc.

Yet, in Asia and Africa as well as in Europe and America, many people are still more eager to keep from possible competitors than to associate for their common defense. In Asia, many people ignore the Communist threat only to discover at their doors that

Red China and Russia shake their fists at America and actually feed on Asia, at least for the time being.

Others are even friendlier to the Reds than to their anti-Communist neighbors and have opened their own territory to the activities of the former against the latter, thus undermining their own defense.

In America, many people have not yet fully realized that foreign aid, even purely economic aid, is common defense. Foreign aid is common defense because there can no longer be such a thing as a fortress America, because outposts of the free world must therefore be defended and it is certainly better for the United States, from all viewpoints, that they be defended by their own people rather than by Americans, as in Korea, and because people cannot be expected to fight and die for such defense if they have nothing else than a dog's life, a watch-dog's life, to defend for themselves.

Indeed, it is not prudent that, because of lack of solidarity, such important frontier countries as Vietnam have to provide both all the ground troops and a part, each year to be greater, of the budget necessary to their defense, a defense which also covers a large area of the free world.

The United States, however, has also more, much more than her just share of that mutual security burden.

The Vietnamese realize it quite well because they are suffering from the same injustice and imprudence and they are very grateful to the American Friends of Vietnam for having shown that besides material contributions, understanding, solidarity and appreciation are also due to those who, at the most threatened outposts of our world, are obscurely and dangerously mounting the guard for us all.

THE FUTURE of FREE ASIA

by CHESTER BOWLES,
Member of Congress

I AM VERY GLAD TODAY TO COME HERE AND PAY tribute to the extraordinary things that have been happening in Vietnam and to talk to a group which has been so intimately connected with much that has occurred there.

When I last visited Vietnam six years ago, the revolutionary struggle was at its height. Signs of military activity were everywhere.

Although many Indo-Chinese knew that Ho Chi Minh was a Communist, he had successfully identified himself with the cause of freedom from foreign rule, and thousands followed him in their desire to be rid of Western domination. It was an ugly situation and a very complicated one.

I remember one soggy July afternoon sitting with a high official in the Vietnamese Government, then sponsored by the French, who had a little tray wheeled in with a bottle of champagne and two glasses. He said, "I would like you to join me in three toasts. The first toast is to the defeat of the Communists; the second is to the defeat of the exploiters and landlords; and the third is to the defeat of the French."

I said, "I can join you in the first two, but I cannot join you in the third. We are allies and friends of the French."

So he amended the toast to say, "Freedom for Vietnam," and on that we found ourselves in total agreement.

The following months witnessed Dien Bien Phu, the partition of Vietnam and the consolidation of a Communist regime in North Vietnam.

I think we will all agree that, if we had been a little more aware of the nationalistic forces in Asia, and perhaps a little less tender toward our friends, the French, we might somehow have prevented the disaster that followed.

But great things have happened there since.

Today Vietnam dramatically symbolizes the accomplishments that are possible when vigorous Asian leadership is bolstered by effective and generous American resources.

This "Miracle of Vietnam," as General O'Daniel has called it, did not occur of itself. Quite the contrary. It took form through faith, dynamic leadership, and a supreme effort by a multitude of people in Vietnam aided by their well-wishers abroad—conspicuous among them the American Friends of Vietnam.

Out of the ashes of war and the chaos of a disintegrating political order there now have emerged a new government, a new army, a new economy. Today Vietnam shows us what dedicated men can accomplish when they set their hearts and energies to the task of building an independent society.

Today, of course, Vietnam faces many questions and problems that are uniquely her own. Clearly, the bitter residue of the two-front war of independence against the French and the Communists, the subsequent partition of the country and flight of thousands of refugees, have created special difficulties.

Equally important, however, are the great many questions and problems that Vietnam shares with the other independent nations of South and Southeast Asia.

Quite frankly, it seems to me that if we are going to develop in this part of the world the kind of unity and common understanding that must come if there is to be continued freedom there, these common interests must be better understood by the friends of the countries that are trying to survive in this very troubled area.

I would like to look especially at those problems of Vietnam which are common to her Asian neighbors. By examining common problems, we may be able to discover the elements upon which our policies toward Vietnam, as well as her free neighbors, must

be based. Such policies are obliged to take into account the existence of Asia's two great powers, Communist China and the Republic of India. It may thus be possible for us to find a helpful new approach to the future of free Asia, one which even has a precedent in American diplomatic history.

Let us look first, then, at some of the common problems of Asia.

I

In country after country the same kind of pattern is repeated. Villagers, often without their own land, are struggling to make a go of it, trying to pull themselves up out of the past, attempting to overcome the disadvantages of poor tools, often inadequate fertilizer and all the rest. Most of them are particularly anxious to have a piece of land of their own. One remembers how very skillful the Communists were in promising that free farm, a promise, of course, which in China has long since been abandoned.

By contrast in the cities there are the restless, educated young people who feel that the symbol of a new nation is expressed in steel mills, electric power, great dams and all the other trappings of a modern industrial society—progressives anxious to move, less sympathetic than they should be of the people living in the villages, often cut off from those people, often reluctant to go to the villages and work.

This contrast between the more passive life of the rural majority and the modernizing schemes of the articulate and influential minority, provides tensions that can be felt in every Asian land.

Only a small and uncertain middle class is available to act as an intermediary between the peasants and the educated active men of affairs who run the government. There are even fewer middle-class people with managerial, craft or industrial skills who are prepared to work side by side with manual workers to win their respect and to communicate to them the newer skills they so badly need.

Moreover, as in other countries of Asia, many of the businessmen have been foreigners—Indians, Chinese, French and other Europeans. During the century of colonial rule, the activities of these business leaders were not always beneficial to the people.

The level of living is so near the subsistence margin that little capital can be saved for development.

These problems beset not only Vietnam but almost every other country from Morocco to the Philippines. They are the universals of what we call underdevelopment; the roadblocks in the way of sustained national economic growth.

In these countries, too, there are yearnings that range far beyond either military defense or economic growth, and are often irrelevant to both.

Clearly apparent is the breakdown of old ideas, even old religions. A yearning for a new security can be noticed. These people are trying to find their way into a new kind of stability that will give life meaning and a sense of direction.

The peasants seek the inner satisfaction and sense of belonging that come from the ownership of their own land. Educated young men in the cities, adrift from their families and rural moorings, seek new purposes and new opportunities. And all: peasants, townsmen, public servants, business clerks and businessmen alike, crave a greater sense of participation in their country's public life and an increased recognition of their individual dignity as men.

These hopes, though relatively new in Asia, are in fact exports from the West. These hopes would be stirring peoples, disturbing old ways, and upsetting past privileges even if the Communists in Russia and China did not exist.

There is also prevalent among these Asian nations a certain suspicion of the West. Each nation on the one hand is anxious for American aid, yet at the same time hesitant to accept this aid fearing that with it will come again the Western effort to dominate.

I remember how shocked I used to be when I first visited Asia to hear Asians, whom I knew hated Communism and totalitarianism as much as I did, admit sometimes late at night that they had felt a bit of a thrill when they read that a Japanese destroyer or submarine had sunk an American warship during the period of our war with Japan. These Asians felt that America and the West were being punished a little bit for what they had done over the years to Asia.

I can remember someone saying, "Of course I wanted you Americans to win the war in Korea. Yet at the same time when I

saw the Chinese capture a hill, and I had a little feeling of inner satisfaction, I was ashamed of it, I was embarrassed by it. But nevertheless it is you people of the West who have done this to me, because for so many generations you ruled Asia. You ran it for your own use. You exploited us. Now you are trying to make up for it. We welcome that effort, we honor you for it, and we want to be your friends. But still, deep inside something stirs to tell us that our resentment will not die easily."

Those of us who fail to understand these attitudes can never understand Asia. But there is another reality in Asia which we ignore at our peril.

II

In addition to all these attitudes and states of mind that tend to pull the people of Asia and Southeast Asia together, these nations now share the awareness that the star of China is rising again. For 200 years that star was in eclipse. Now it is shining again, and the people of Burma, India, Indonesia, Pakistan, Thailand, and Vietnam are experiencing its gravitational pull.

These people are wondering what China will do in the coming years. They are watching with awe and also with a deep and profound fear. No Southeast Asian country can ignore the fact that China, once divided, weak, and a prey to European ambitions, is now rapidly developing its vast capabilities.

I would like to suggest that, in examining China and thinking about it, we have often thought too superficially, we have not dug as we should into what is really going on there.

For many years we Americans tried to tell ourselves that Communism could not conceivably work in Russia. It was morally wrong, we knew that; we opposed it; we believed deeply that somehow it just could not work.

And when the stories of Soviet steel mills began to come back to us we were skeptical. Only a very few years ago prominent people in our own government were still saying that the Soviet Union simply could not provide even reasonable aid to the people in the underdeveloped countries because she was not up to it. They believed the Russians under Communism to be rather clumsy people. If these Russians invented anything or accomplished anything scientific, it was attributed to German talents

captured or borrowed after the war was over. These ideas and concepts have died very slowly.

Finally, however, we have come to recognize that Communism has succeeded in producing a modern industrial society in Russia, much as we hate its tactics, much as we despise and disapprove of it.

Now we leap to the other extreme, and we say because it worked in Russia, it is probably going to work in China. We believe all Communism has to do is to take over a government, take charge of it, and that government is likely to move full steam ahead.

Well, I think we have gone from one mistake, perhaps, to another. I wonder if Communism is really going to work in China. I wonder if it *can* work with only 1.7 acres of land per peasant. We forget the fact that Communism always must exploit and squeeze the farm people.

Thoughtful observers know that Chinese leaders, in attempting to industrialize their hard-working people by iron-fisted Communist tactics have undertaken a task that is even more difficult than Soviet Russia's industrialization. They must ruthlessly push the rural people to greater and greater production with often fewer and fewer rewards.

This policy of rapid industrialization was possible in the Soviet Union. In 1912, in the days of the Czars, Russia exported something in the neighborhood of 12,000,000 tons of grain every year. She had vast, unused lands, tremendous productivity. Thus the Kremlin could even afford a decline in agricultural output while it pressed forward on the industrial front, as long as a higher production of total food produced found its way to the cities.

In spite of this great potential inherent in the Russian agricultural system, Soviet industrialization almost came to grief on the rock of its agricultural problems during the 1930's.

Look at the contrast in China—almost no empty land, some, to be sure, but only empty land that could be exploited at great cost; 1.7 acres per peasant family; a nation already possessing one of the most efficient agricultural systems in Asia, raising something over 2,000 pounds of rice per acre. I cannot see how the addition is going to come out. I do not see how the Chinese people are going to be fed on their present land base. I furthermore do not

believe the recent figures they give out of rapidly increased rice and grain production.

With fifteen to sixteen million more Chinese each year, I think they are likely to find themselves up against some very tough and difficult challenges. Major crop increases can only come through an increase in fertilized production so vast that Chinese industrial goals in steel and transportation can not be met.

Chinese leaders in their attempt to unify their nation under a Communist regime do have one advantage that the Soviet leaders lacked. The Russian Communist Party was small, centered in cities, with little knowledge of or sympathy for the countryside, where the bulk of Russia's population lived.

By contrast, the Chinese Communist Party has grown up largely in the villages. There it has listened to the dreams of the peasantry. It has been able to enlist peasant support for armies and drives for greater production.

No sensible man would attempt to guess China's future. Although Chinese Communist leaders are astute, their problems are enormous.

Of course we all know that if China should succeed, if she should make Communism work within China, if she should succeed in harnessing the energies and abilities of the Chinese people, the pull of this great experiment will be a very difficult one for the people in Asia, and even Africa, to resist.

But what I think we overlook sometimes are the implications of China's failure. They would be less dangerous to us only in degree. If the Chinese Communist experiment fails, it seems to me that China could turn in one of three directions.

The most unlikely is the first. China could moderate a bit and begin to trade with the world, producing consumer goods and other industrial products to be traded for the rice and grain she would need to feed her people.

After all, a nation does not have to be agriculturally self-sufficient. Consider Japan, the Netherlands, or the United Kingdom. Many countries have raised their living standards to great heights without nearly enough food to go around.

But, can a country do this that subscribes to Maoism and Leninism?

I do not believe it can; because doctrinaire Communism—

and this is what the Chinese Communists preach—maintains that a country must be basically self-sufficient. It is hardly conceivable that a Communist country would place itself at the mercy of the outside world for its basic food supply. Hence it seems unlikely that the Chinese will attempt to solve their food problem by exchanging large quantities of manufactured goods for Asia's or America's food surpluses.

A second possibility is a direct appeal to the Soviet Union for help. In Siberia the proportion of men to arable land is vastly more favorable. If Chinese peasants were given access to Russia's eastern lands, the pressure would diminish and China's rate of industrial expansion could progress more easily.

Mao could say: We are all Communist brothers. Let's express this brotherhood by getting together and exploiting the resources of this great land area that stretches from the Sea of Japan across to the middle of Europe.

But I do not think the Russians would welcome this proposal. I do not think they would find it appealing. Russia's national interests can probably be counted upon to resist such an encroachment, which over the long haul would result in Chinese domination of a political and economic colossus stretching from the Baltic to the South China Sea. Here, at least, we and the Russians share a common alarm.

The third possibility, of course, is the obvious one. To the south lie the great, relatively empty, tempting lands of Southeast Asia, with plenty of rainfall, plenty of sun, good soil and, in many, many cases, plenty of unused land.

Between Burma and Vietnam live some 60 million people divided into seven separate, independent political units. Anyone who has flown over Burma has seen the great potential possibilities of this land. The Island of Sumatra, parts of Cambodia, Thailand, even sections of Vietnam, can absorb many more people.

Each of these countries is underpopulated compared with China; each is rich in rice and other agricultural products. Most have land which is not now cultivated. In the capital cities of each, moreover, Chinese immigrants have been particularly active and successful. This must, over the years, be thoroughly tempting to Peking.

If the Communist experiment in China appears to be failing,

is it not then likely that the Peking government, in desperation, will press for control of these rich food producing areas?

But suppose the Communists do succeed in modernizing and industrializing China?

Once again the pull of Chinese ways may increase. All over Southeast Asia peasants and townsmen, restless with ineffectual regimes at home, may turn to China to satisfy their yearnings.

American policy, Vietnamese policy, indeed the policy of every Southeast Asia nation, should be conscious of these possibilities. We must be thinking in much broader terms, looking far closer and further into the future.

We should have the long range vision the Communists try to have. We must recognize the unfolding forces of history and attempt to guide them into constructive channels. If the hopes of the South Asian peoples for faster growth and increasing dignity are not met, and if their leaders cannot learn to work together more closely, the process of absorption may proceed with scarcely a shot being fired.

III

Now, what can be done to resist this force if and when it comes about? Well, of course we will do our utmost. The Southeast Asians can count on that. But it seems to me that effective resistance is going to require much more than that. It will require an increasing unity—an increasing degree of understanding—between the peoples of Southeast Asia and the peoples of South Asia, peoples who have had very different experiences.

At the same time, I think we should realize that the forces of freedom which have been released in this part of the world are not going to die easily. The peoples of Southeast Asia have only recently won their independence. Year by year, they are learning the satisfactions as well as the frustrations of this new way of living. They are learning what it is like to govern themselves. They sense the promise of building their own country, developing their own future. They are unlikely easily or quickly to turn their back on that dream.

All over non-Communist Asia today, free people are learning to value freedom. They would prefer to be governed badly by their own leaders than to be governed efficiently by Chinese or

other foreigners. National independence, now finally won, will not be given up easily.

Second, the peoples of South and Southeast Asia are rapidly developing their own mutual relationships. More and more they realize that their efforts are interlocked. More and more, they are waking up to the continental challenge of China's growing power and aggressiveness.

India is by far the largest country facing the Chinese challenge. Any effort to provide an alternative to Communist totalitarianism in Asia must, therefore, have India as its heart.

Should democratic India be successful in building industry and improving the welfare of its villages, she will create a striking alternative to the totalitarian Chinese example. Manifest failure or indifferent success in India over the next decade will leave Communist China unchallenged and probably supreme.

Southeast Asian peoples must come to appreciate their stake in India's success. But India herself must also become more involved in the fate of her smaller neighbors to the east.

If there is to be peace and security, ancient jealousies must be consciously examined and laid to rest.

There are of course all over this area, different interpretations of the present Cold War situation. These differences of opinion have often been very divisive. It seems to me that the varying positions of these nations can best be understood in light of their dissimilar historical experiences.

South Vietnam has been in the front line of the struggle against militant Communist Chinese aggression. The Vietnamese have known the meaning of this aggression. Many have died in the fight against it. Others have experienced it; they have touched it; they know it.

The Indian people have had no such experience and they have, therefore, reacted quite differently to the Communist rumblings in China. They have attempted a type of neutralism, which annoys and bothers us.

We assure ourselves that India is a democratic country with free elections; we know that the Indian people have a free constitution, freedom of religion, freedom of speech. We admire them and honor them for this.

But sometimes we become impatient when they moralize too

much, when they scold us or when they appear to see no great difference in the Communism of the North and the democracy of the West. We wonder how they can possibly be so blind.

I would suggest that we go back and read something of our own history if we wish to reach an understanding of the forces alive today in India and other so-called neutralist countries of Asia.

If we will examine our attitudes during the Napoleonic Wars, I think we will find a pertinent analogy which casts some light on the present situation.

In those days, Napoleon was engaged in an attempt to dominate Europe. The British, the major force of democracy in Europe, stood in opposition to this aggressor. We Americans took no great pains to analyze this conflict objectively.

On the contrary, we used this opportunity to try to steal Canada from the British when their back was turned and when they were facing very desperate difficulties. We saw nothing particularly immoral about this action. This was the war we called the War of 1812.

Through much of our history we spent time assuring everyone that the quarrels of Europe were not our quarrels. We felt our job to be here in America, bolstering our own democracy and our own freedom.

What happened when William II tried to overrun Europe in 1914? We looked the other way and yawned; we said this was not our problem. We made the British liquidate all their stocks, bonds and property in America before we began to loan them the money they needed for their survival. It was 1917 before we finally determined that this was a war in which we belonged, a struggle in which we had to participate.

During the 1930's we again turned our back on the world. What happened during the first onset of Hitlerism in Europe? We passed laws to try to guarantee the isolation of the United States from the quarrels of Europe.

So it took the United States 150 years to learn that a nation cannot turn its back on the world, to learn that each nation must stand up and be counted. And if the Indians accomplish this change in two decades, they will be historically well ahead of us.

This does not mean that we encourage only slow progress

toward a position of international responsibility. We, in fact, wish that India would hurry up. It may be that Tibet has helped to hurry them up, because I think that Tibet has been a great shock to them. It has been a shock because I think the Buddhist faith is much closer to the Hindu faith than many Americans realize. Buddhism was reform of Hinduism.

Nehru said the other day, quite properly, that Buddha was the greatest Indian who ever lived. So the Chinese callous abandonment of the *Panchi Shila* has had a profound effect throughout India.

Yes, Nehru's language has been temperate and careful. It would be, because he will not easily abandon the position he has held, but, unless I miss my guess, a lesson has been learned, and the lesson runs deep. Today, the Indian people, and the other people of Southeast Asia, have a far greater awareness of what this struggle is all about.

Now, what can we Americans do? How can we operate more effectively and more efficiently?

I think we must first realize that while *we* can give assistance and aid, and while we can give protection under certain situations, we cannot solve the problems of Southeast Asia. We are never going to be able to create an effective American-dominated, anti-Communist front in Southeast Asia, because the Southeast Asians and the South Asians are never going to permit this. They would no more permit this than we Americans would have permitted ourselves to be drawn into the orbit of western political organizations and alliances during the last century.

So they are going to pull back from anything that appears to be totally American dominated, and we should understand this. This is the true voice of independence and freedom speaking. It is a natural and proper voice, and we should respect it.

It seems to me that the most promising approach to the future of South Asia would be for it to draw inspiration and guidance from our own Monroe doctrine, designed in 1823 to maintain Latin America free from the pressures of European imperialism. Following the Napoleonic Wars, some of the imperialistic countries of Europe were determined to restore their position in Latin America, a position they had lost when their shipping had been cut off during the war against Britain. Stirrings from Europe

hinted of expeditions designed to recapture and to bring under European control these newly free Latin American nations. George Canning, the British Foreign Minister in 1822, went to our American representative in London. He said: Why don't you Americans join with the British in announcing a doctrine that will warn all these European powers to keep out of South America? We want the free, open trade that these South American countries give us. You want the trade. You want to keep Europe away from your shores. So, therefore, let us join together in agreement and alliance to keep them out.

And what was our reaction? It was the reaction of any proud, new nationalistic people. As John Quincy Adams wrote in his diary: Why should we tie our America as a "cockboat to the British man-of-war." Why should we be subservient to the British whom we just drove out of America? They are a colonial power. How can we find common cause with them?

Young America, only recently liberated from colonial rule, insisted on defining its own policy and standing on its own feet. The Monroe Doctrine conceived by John Quincy Adams was a unilateral American statement of policy, warning the imperial countries of Europe to stay out of South America.

Unobtrusively, and without fanfare, the British provided naval strength to give the Monroe Doctrine meaning. They were as anxious as we to see that no other nation should establish its hold on Latin America. And they had the maturity and good sense to sit back while a young and nationalistic America took the lead. Yet the power that gave weight and substance to the Monroe Doctrine was the British fleet.

I think there is something to be learned from this. I think it is going to be the eight nations of South Asia and Southeast Asia that take the lead.

American aid can help. If the local leaders themselves catch the vision of reform, make serious plans, and create the minimal governmental techniques to train their people, outside resources may indeed make the difference between success and failure.

But without such initiative from local leaders, no amount of American aid can rescue the situation. And this demonstrates how our future, too, is linked with the quality of leadership and the foresight of Asia's new leaders.

If South Asia responds to domestic changes and progress it need not be coerced into the Chinese orbit; nor need it be drawn into it for lack of real alternatives at home. I only hope and pray that the United States will have the maturity the British had in 1822. This nation must stand in the background and not throw its power ostentatiously behind those assertions. We need not call people's attention to it in every waking hour.

We do know that no such program will spring full-blown from the head of Zeus. Like all deep-rooted policies, it will develop out of a culmination of various ingredients of attitude, sympathy, choice, personality and power.

But may not Asian countries with an increasing sense of their common destiny and danger draw closer together when the power of an increasingly mature America is held discreetly in the background?

Perhaps India herself is learning what the United States has learned: that neutrality and non-alignment are not achieved for the wishing; and that an ounce of timely, constructive, and peaceful involvement now may save many times that amount of tragic, hasty, and bloody involvement later on.

If India learns this lesson and makes sensible and constructive proposals for the protection of the rest of free Asia, let us hope Vietnam and her neighbors will be prepared to respond with equal imagination.

In the absence of such indigenous initiative, I am afraid that we Americans face an inescapable predicament in Asia. We have been lavish in our expenditures of money, military equipment, earnestness and good will. But we have failed to build an effective overall American-directed, anti-Communist front.

The reason for this failure is that our objective lies outside the range of political possibilities. The lesson that we should learn is not that the Asians are ingrates or pro-Communists, but that American direction of an anti-Communist front for all of South Asia would not be palatable to all of its governments. Further efforts along these lines are doomed to fail. With each failure our position and prestige will be gravely weakened, and we shall move closer to self-isolation.

The obstacles to an indigenous Monroe Doctrine for free Asia are clear, numerous and formidable. It would be folly to

predict whether, when and how such an approach may come into being.

But the desire for mutual understanding has been increasing among the nations of Southeast Asia and South Asia. There were signs of this growing understanding even before the recent events in Tibet. Last November President Ngo visited New Delhi.

As you know, he was welcomed there, and he saw the great village development programs, facilities for hydroelectric power, the school programs, public health, malaria control and the rest. He was impressed. President Ngo said, "All of us here in Southeast Asia are tied up with India's destiny. India is trying to demonstrate that the power of freedom is a workable and practical and realistic power. We all wish her well because her success will be our success."

Mr. Ngo has also traveled to Burma, Thailand, Korea and other neighboring countries in efforts to cement friendly relations in the area.

Recently President Prasad of India visited Saigon. He took great pride in seeing what the people of South Vietnam had accomplished.

During that visit, the Vietnamese President underlined his increased sense of identification with the Indian experiment when he declared: "Vietnam is firmly convinced that the success of the gigantic efforts of India is our own success."

In Vietnam the Indian President was "filled with a sense of gratification that his visit re-emphasized the friendship between the two countries."

These are perhaps only straws in the wind. They may be blown away before the bricks of common association can be solidly laid, for there is no assurance in history that human beings will always understand the challenge that confronts them, much less that they will rise to meet it.

If there is to be peace and orderly growth in South Asia, the countries of this critical area must see their common destiny as based upon coordinated efforts.

Rapid social and economic change must be encouraged. Investment must be stepped up. Social inequities must be eliminated or mitigated. And the yearnings of both educated men and villagers must be recognized.

As these nations grow more sympathetically inclined toward one another, propelled by common cultures, common backgrounds, and increasingly common fears, we can give them the kind of encouragement and support they so desperately need and which most of them will never ask for.

We must remember that we cannot guide the destinies of this part of the world any more than we can guide the destinies of Europe or any other section. The people of Southeast Asia and the people of South Asia are going to build their own future. If they win through to freedom, it will be largely through their own efforts. We can give them money; we can give them military support, as we have done in the past. We can continue to loan them technicians, and it is essential that we do this sensitively, with due respect for their cultures, for their attitudes and for their ideas. We will destroy every benefit of this aid if we come in a patronizing way to do good for people who are weaker than ourselves.

These arrangements must be partnership arrangements, growing out of a mutual respect, a mutual understanding, a feeling that the United States has a great deal in common with the nations of South and Southeast Asia in a world that today does not fully appreciate the dignity of man and the freedom of all people.

We in the West have taken freely from the East over many decades. We Americans perhaps took less than most, but nevertheless we took our share. Now is the time to be giving back, with respect and sensitivity, with basic understanding of what these people are trying to do.

It seems to me that Vietnam has a special function here. If there is any country that can form a bridge in this area, it is Vietnam.

Vietnam has traditionally experienced both Indian and Chinese influences; its heritage is drawn from both India and China. In this sense Vietnam foreshadowed the great drama that is now being played on Asian soil.

Perhaps the greatest contribution we outsiders can make—apart from the economic assistance, the energy, and the skills we bring to bear—is to help the Vietnamese to see that their destiny is linked with that of their neighbors in Free Asia.

The American people, too, must clearly understand these issues. Otherwise, they will not be prepared for the effort that is needed. That is why groups like yours perform such an important function in our free society. You understand the problems of these critically important countries. You are able to inform others of their difficulties and potentialities.

The American Friends of Vietnam have done a great deal for the people of Vietnam, a great deal to help forge this partnership that I feel is so basically essential. I hope you will also serve in every conceivable way to foster a sense of common purpose which will extend across this entire area from Japan to Morocco. This is the vast arc that is going to be under the greatest of pressure during these coming years, an arc the freedom of which is essential to the future of freedom and the independence of mankind.

UNITED STATES- VIETNAMESE COOPERATION: *The ICA Program Since 1955*

by LELAND BARROWS

*Regional Director for Near East and South Asia
International Cooperation Administration*

IN DISCUSSING THE SUBJECT WHICH THE CHAIRMAN has assigned to me, I shall have the pleasure of recalling the four fruitful, memorable years I spent in Vietnam, and of reviewing for you the work of the United States Operations Mission to Vietnam of which I was the Director from October 22, 1954, until November 30, 1958.

These were dramatic and decisive years in the life of the Vietnamese nation and a period of great interest and personal satisfaction to me. I enjoyed especially the privilege of working in close cooperation with officials of the Vietnamese Government and of knowing personally many of the leaders of Free Vietnam, beginning with President Ngo Dinh Diem himself and including many others of the able, courageous, and devoted men who have saved Vietnam for the Free World.

The United States Operations Mission (USOM, as it is commonly called in Vietnam) is only one element in the team which, under the leadership of the American Ambassador, represents the United States in Vietnam. USOM's job is twofold. First, it administers the financial assistance, largely in the form of imported goods and equipment, which has enabled the Vietnamese

economy to survive the extraordinary strains and stresses of the past four years and to support the armed forces needed for national defense.

Second, USOM provides technical assistance to the civilian sector of the Vietnamese Government and economy in the form of services of American and other foreign specialists, and training programs at home and abroad for Vietnamese students and officials. Other elements of the American official family provide material and technical help to Vietnam as do many private American philanthropic and religious organizations of which one must count among the most important, this organization, the American Friends of Vietnam.

During the four years I was Director of USOM in Vietnam, American economic aid totaled \$983 million. This is a very large amount of money. Yet, it is less than the amount spent by the United States to provide military equipment and supplies to the forces engaged in the war against the Communists in Indo-China in the three years from 1951 to 1954 and only a little larger than the amount the United States agreed to provide toward the cost of fighting that war during its last year. I make this comparison to remind you that the cost of maintaining peace through giving aid to a strong and reliable ally is certain to be less than the cost of a war.

This comparison may also give you some measure of the level of economic activity associated with the conduct of the war in Indo-China and thus an understanding of the financial and budgetary problems which confronted the Government of Vietnam and those of the other Indo-Chinese States when they began their separate economic existences following the armistice of 1954.

Of the various purposes for which this large amount of money was used, Technical Cooperation took the smallest proportion (\$12 million, 1.2 percent), yet this was in some respects the most pervasive and far-reaching in its benefits. Technical Cooperation funds have provided specialized assistance to supplement and to assist trained Vietnamese personnel in many fields of civilian activity. They have financed the training of Vietnamese personnel abroad and have provided specialized equipment for demonstration and study. During the period at which we are looking today, USOM's largest Technical Cooperation effort was actually con-

ducted by the Michigan State University group, whose work in the field of public administration and police administration is famous in Vietnam and is certainly known to most of you here. But the Technical Cooperation program covered a wide variety of other activities, touching in one way or another nearly every phase of civilian governmental activity and supporting the reconstruction and development projects financed by American aid.

At the other extreme, the largest proportion of American aid funds (more than 80 percent of the total, in fact) was used to provide what, in the lexicon of the ICA, is called non-project assistance. I am sorry to inflict this particular bit of technical jargon on you today, but I know no way to avoid it if you are to understand clearly how American aid has been used in Vietnam and why it has taken the form it has.

Non-project aid means money or credits to purchase commodities and equipment needed to enable the Vietnamese economy to operate at the level necessary to achieve our common objectives. Non-project aid takes the form of raw materials and fuel for industry, spare parts and new machines, as well as essential consumption goods. In Vietnam, non-project aid finances about 80 percent of the nation's imports.

The third form of economic aid provided to Vietnam, accounting for \$96 million in four years, we call project assistance. This is aid in the form of goods and services provided directly to government agencies or autonomous entities, such as the State Railways, for the purpose of building or rebuilding some specific enterprise of economic value. Project aid has included such varied undertakings, as, for example, the provision of well-drilling rigs and trained personnel to teach and supervise their use, steel rails and bridges for reconstruction of the war-damaged national railway, trucks and tractors for land development, and equipment and medicines for government hospitals throughout the country.

One other technical feature of American aid, the counterpart fund, requires some explanation at this point.

On the one hand, many of the urgent problems with which the Government of Vietnam was confronted in 1955, and indeed is still confronted with today, required the expenditure not of foreign exchange but of Vietnamese currency. On the other hand, the non-project aid to which I have referred could be, and in fact

is, administered in such a way as to help meet this need for local currency. With very minor exceptions, all non-project aid goods are sold to the private sector of the Vietnamese economy for cash.

Receipts from these sales are, by agreement, deposited in a special account in the National Bank of Vietnam, from which they are transferred as required to the military budget or to other accounts of the Vietnamese Government. By this means, the local currency proceeds of non-project aid are used to support the armed forces and to pay some of the local currency costs of the many technical assistance and capital projects.

In 1955, Vietnam was able to make only a small local currency contribution to projects. Each year, that contribution has increased—both in amount and as a percentage of the total—so that by 1958 it covered more than half of the piaster cost of aid-supported projects.

I think that is enough in the way of technical preparation. Now I think we can usefully take a closer and more detailed look at the economic aid program. For this purpose, I should like to proceed chronologically. Without depriving ourselves of the precious advantage of hindsight, I hope I can, year by year, reconstruct in some measure the problems, conditions, and atmosphere of past years in Vietnam so you will better understand the decisions and actions that were taken.

So let us return to my first year in Vietnam, October 1954 to October 1955. This was a period dominated by political and military struggle in Vietnam. It began in doubt and discouragement and ended with the National Referendum, a dramatic demonstration of political strength and popular confidence. In October 1954, the authority of the government was everywhere contested. Large areas of the countryside were still in Viet Minh hands, since, under the terms of the Geneva Accords, the Communists were not required to yield the last territories in Free Vietnam until the following May. Other large areas were in the hands of dissident sects, and the City of Saigon was controlled by the forces of the Binh Xuyen. On his side Ngo Dinh Diem had little more than his own personal moral strength and determination—and, as we were to learn, a widespread, but as yet inarticulate, popular support.

In the circumstances, political struggle to establish the

authority of the central government took precedence over all other objectives. The struggle, as you will recall, turned to outright warfare in the spring of 1955. After the brief, bloody, and decisive battle of Saigon, events moved quickly and the way was open to establish peace and freedom throughout the country.

Less dramatic and less well-known than the political and military developments of 1955 are the economic and financial problems which the new government also met and solved. It was not very easy to make long-range plans when the future was so much in doubt, but a great deal of work was undertaken and accomplished. Through the means of joint working parties, USOM was able to participate in this effort. In fact, the basic shape of the American economic aid program, even as it is today, was fixed during this period by the problems with which the Vietnamese Government was then confronted.

Now if I can keep this discussion within reasonable limits, I can only touch upon the most important problems with which the aid program dealt.

In 1955, two broad areas were foremost in our concern and may be selected as representative of the work of that year. These were basic problems of the Government of Vietnam to which American aid contributed not only substantial amounts of money but also a measure of technical assistance and advice.

The first of these areas I shall call, for want of precise designation, establishing financial autonomy. One must remember the situation with which the new government was confronted.

Before 1954, Vietnam had attained a degree of political autonomy as a member of the Associated States of Indo-China, but it did not attain financial autonomy until January 1, 1955. At that time, a newly established national bank assumed responsibility for issue and control of the national currency. Administration of customs and trade controls, and control of foreign exchange were assumed at that time by Vietnamese administrators. The Vietnamese national army, which until 1955 was paid directly by the French Treasury, became the responsibility of the Vietnamese national budget; and, at the same time, the United States, through the mechanism of non-project aid, which I have described above, undertook to provide the means with which to meet this obligation.

Now this is a point I think we must emphasize. When the Vietnamese authorities examined the budget upon taking control of their own financial affairs in 1955, they found normal revenues sufficient to cover normal civilian expenses. They found a separate military budget larger than their civilian budget but financed entirely by funds administered by French military finance authorities. As a matter of fact, these funds came largely, in 1954, from a grant of dollars made by the United States to France. At any rate, the first and fundamental financial problem of the new government was found in the fact that the budgetary structure of the country made no provision for supporting military forces, yet support of the armed forces was essential to the survival of the country.

Clearly, in a situation of this sort, the first need of American aid was to help solve this problem.

And this historic fact accounts for the emphasis upon military budget support which has characterized the American aid program in Vietnam. I might add that the cost of the military forces, and their size as well, was reduced drastically during the four years that I was in Vietnam, in face of the fact that, during much of that period, the military force was engaged in actual operations against bandits and Communist guerrillas. And, moreover, General Myers will tell you the force has grown very much in strength and effectiveness during the same period.

My first year in Vietnam was marked by another extraordinary undertaking of massive proportions and dramatic impact—the refugee movement known as Operation Exodus. The whole world knows the story, so I will not retell it here today. I should simply like to recall that it was a wonderful and unprecedented adventure, with work and glory enough for all the many people and organizations who took part in it. USOM's role was not the least and not the largest, but we did have responsibility for administering the United States Government funds which bore the bulk of the financial burden, \$55 million in equipment, supplies and counterpart funds. USOM's most significant contribution, in fact, came the following year, when, by using an additional \$35 million of United States Government funds to finance, project by project, the establishment of the refugee population in permanent villages, we were able to help the Govern-

ment of Vietnam to complete this vast population movement in only two years.

I come now to my second year. The year which began in October 1955 saw substantial progress in every aspect of the American economic aid program in Vietnam. Of the many developments during the year, I shall mention only four. Of these, the most dramatic, and unquestionably the most successful, was the refugee resettlement program, which, as I have already mentioned, completed the job begun the year before.

This year also brought solutions to the problems of foreign trade administration and import licensing. Before 1955, when Vietnam was a part of the Associated States, her foreign trade was largely within the French Union. The only foreign currency available in quantity in Vietnam was French francs; and, as a consequence, most of the imports into Vietnam came from France. With the advent of full financial autonomy in 1955 and the allocation of American economic aid directly to Vietnam, the country was enabled to trade wherever it liked in the Free World. It was, in fact, obliged, in using American aid, to buy in the most advantageous Free World market.

Before 1955, most of the foreign trade was in the hands of foreign firms and foreign banks, some of which withdrew from business, and many of which were hesitant for a time to continue their operations. At the same time, many Vietnamese wished to enter commerce, and the Vietnamese Government naturally wanted to encourage formation of Vietnamese commercial houses.

All these factors contributed to a period of uncertainty and confusion in the field of commerce, which lasted throughout most of 1955. One aspect of the problem was the springing up of some 20,000 so-called importers. In an effort to meet the demands of these new Vietnamese businessmen, licenses were allocated in such large numbers and small values as to raise prices and slow down the arrivals of merchandise.

This proved to be a temporary difficulty, however, for the Ministry of Economy, under the leadership of the distinguished Vietnamese statesman who is now Vice President of the Republic, established new administrative rules which brought order and equity to this important economic area.

The year 1956 also saw a rapid expansion in the project aid

provided by the United States. Most important among the developments of this period were actions contributing to agricultural reconstruction. American aid helped to reorganize the administration of agricultural credit and contributed a capital fund of \$10 million in piasters for crop loans and other forms of rural credit. USOM provided technical assistance and administrative funds to the agrarian reform administration for the present widespread program of land reform. Assistance was given in creating an agricultural extension service, a college of agriculture, and in launching important projects in crop improvement and livestock breeding. Importation of buffalo and oxen from Thailand and Cambodia was initiated to replenish the supply of work animals depleted during the years of war and civil disorder. In all, to refugees and other needy farmers 24,000 work animals were sold on reasonable credit terms.

The year 1956 also marked the beginning of major programs in the field of public works; most notably, the reconstruction of highways and bridges. Aid was also given for the improvement of waterways, civil airways, and telecommunications.

Indeed, the story of USOM's contribution to the reconstruction and improvement of public works in Vietnam deserves more time than I can possibly give it today.

I should like to say, however, that the highway program initiated in 1956 has been growing since that time and is only now reaching its peak. Through this effort, American aid has provided the Vietnamese Ministry of Public Works with a large, modern, coordinated supply of highway and bridge-building equipment, and shops and warehouses for its maintenance. It has developed quarries, precasting plants for concrete pipe and bridge members, and other necessary facilities for modern highway construction. The services of American engineers and an American construction contractor have been provided to rebuild three major roads and to train Vietnamese, so that when the first tasks are completed the Vietnamese Government can use the equipment we have provided to continue the large and long-range highway building and maintenance task which confronts the country.

Now to pass on to the third year, 1956 to 1957. The year which began in October 1956 was marked by particular progress in the field of public administration and financial reform. Indeed,

a preparatory step for the measures initiated in 1957 was taken in July 1956, when the Government of Vietnam opened a limited access free market for foreign exchange transactions. To understand the importance of this measure, it is necessary to return once again to the early months of 1955.

Within a few months after assuming responsibility for the administration of exchange controls, the Vietnamese authorities discovered that commitments previously made to business organizations and individuals authorizing them to convert piasters into foreign currencies for the transfer of profits and savings were rapidly depleting Vietnam's free foreign exchange. American aid was being offered in sufficient amounts to cover the essential import requirements of the country, but American aid could not be used to finance profit transfers and other invisible transactions.

Consequently, in May 1955, the Vietnamese Government virtually suspended all such transfers. This soon created serious dislocations. Accumulations of profits and individual savings which the owners were in the habit of transferring abroad tended to depress the value of the piaster and inevitably encouraged black market transactions. At the same time, complete inability to transfer legitimate business profits was recognized as inequitable and as discouraging to investment and business enterprise. Therefore, the Vietnamese monetary authorities created the free market in which authorized firms and individuals are allowed to sell piasters at a rate which has proved throughout the past several years to be approximately double the official exchange rate. This, however, has met most of the needs of the business community and has tended in the long run to strengthen the value of Vietnamese money in international exchange.

There remained, however, through 1955 and 1956 other sources of inflationary pressure, most notably the fact that throughout the first two years the Vietnamese Government was unable to maintain a balanced budget. Both the central government and the regional governments were given the right of overdraft on the National Treasury, and this they exercised in providing governmental services deemed essential.

Realizing the danger of such a practice, the Vietnamese Government in 1957 developed, with the help of Michigan State University and USOM technicians, a greatly improved system of

budget administration. In April 1957, new and heavier taxes were imposed on imports. The budgetary and tax reforms together put an end to deficit financing. In fact, the reforms were applied with such vigor that by the end of the year the Government had accumulated a substantial surplus. These corrective financial measures were not without hardship in the business community, but they restored stability and armed the Government with new resources with which to increase its development program.

About project aid during this year, a good deal might be said. For example, in 1957, resettlement of the high plateau, a major element in President Ngo Dinh Diem's present economic program, was initiated by a land development project patterned on the methods and techniques of the refugee program. Equipment and supplies worth \$3 million U.S. and \$7 million in local currency were allocated to the land development project by American aid.

Also notable in the period was the number of basic surveys provided by American aid—surveys laying the foundation for long-range development. These included studies of the sugar industry, the electric power requirements of the country, the Nong Son coal deposits, the paper industry, and a comprehensive general industrial survey.

Now I come to the fourth year, my last year in Vietnam.

With this foundation laid for increased American aid to industrial development in Vietnam, this indeed became our foremost objective during the year beginning in October 1957. The year 1958 saw the initiation of the most important aid-financed project in the industrial field—the Industrial Development Center. This is an autonomous governmental organization established to provide technical advice and assistance and credit for private industrial development. The USOM project provides administrative support and the services of a firm of American industrial engineers. It has also endowed the center with a capital fund of \$6 million and 120 million piasters.

But our most extensive support to industry has been provided through non-project aid. As I pointed out earlier, a substantial proportion of the imports financed by American aid has taken the form of spare parts and machinery for economic development. This has included equipment for dozens of small industries in Vietnam, and also for a few of substantial size. In fact, the use of

American aid for this purpose has been limited only by the willingness of private investors to order and pay in piasters for new capital equipment and the willingness of the Vietnamese Government to grant the necessary licenses. By way of illustration of the use to which the non-project aid resources can be put, I cite the example of the jute weaving company in Vietnam. This private establishment, investing its own piaster capital, imported over the course of two or three years \$1½ million worth of new machinery with which it modernized and more than doubled the capacity of its plant. Many other small businesses have done the same thing without fanfare and without special governmental assistance. In addition, a newly organized, privately owned cotton spinning and weaving company is obtaining its necessary capital equipment in the same way.

Unfortunately, however, there are few Vietnamese-owned enterprises with the capital and experience to launch large undertakings. There are in Vietnam some foreign-owned enterprises with the means and willingness to undertake new investments, but it has not been easy for the Vietnamese Government to approve their proposals because of the already very heavy preponderance of foreign ownership of business in Vietnam.

To find a way around this difficulty, the Government of Vietnam adopted the principle of the mixed company, in which the private owner holds as much as a 49 percent interest and may be given a managerial contract which will allow him to operate the business, for a temporary period at least, as an agent of the Government as well as in his own behalf. This has proved a satisfactory solution to industries in the fields of glass bottle manufacturing, sugar production, and lumbering, among others.

In concluding this chronological review, I should like to say a word about what is really Free Vietnam's greatest industry—the production of natural rubber. Rubber is Vietnam's largest export. Rubber production has been maintained and, in fact in the past few years, has reached the highest levels in history. The rubber plantations are for the most part large and well managed, and they produce rubber of high quality. They are largely owned by well-established French companies.

In common with other industries in the country, they have obtained chemicals, equipment, and other imported essentials

through American commercial aid but otherwise have not benefited by American assistance.

In some newly independent, former colonial territories, enterprises of this sort have been the subject of hostility and discrimination on the part of the new nationalist government, and have even suffered expropriation. In Vietnam, this has not been the case. On the contrary, President Ngo Dinh Diem has recognized the economic importance of these enterprises to his country and, despite the risk of demagogic political attack, has given the foreign rubber plants positive encouragement and has even offered Government loans to encourage the maintenance and expansion of rubber production.

I hope that despite this historic look, I have not kept you from seeing the continuity which has characterized the aid program. Most of the undertakings I have described have extended over more than one year. They have been related to one another and to other projects which I have not even mentioned. For example, throughout the entire period, extensive and constructive programs were conducted in the fields of education and public health. Everything we have done has been worked out in concert with the Vietnamese authorities and has been designed to deal with problems to which the Vietnamese Government attached priority.

In one respect, Vietnam differs from many other countries which have received large-scale American aid in the past few years. Virtually all the financial assistance Vietnam has received from the United States has been provided by the Mutual Security Program and has been administered by the International Cooperation Administration. Vietnam has had no Export-Import Bank loans and no credit from the International Bank for Reconstruction and Development. In the four years which I have just passed in review, Vietnam purchased only \$6 million worth of surplus agricultural commodities under Public Law 480, and it received its first commitment from the Development Loan Fund on February 9, 1959.

On the other hand, in the four years that I have described so briefly, Vietnam received substantial technical and economic aid from France and has the services of several hundred secondary and university level teachers from the French Cultural Mission.

The United Nations and its several specialized agencies have supplied a variety of technical assistance; and aid, both economic and technical, has come from the donor countries of the Colombo Plan. Other nations, such as Italy, Germany, and the Republic of China, have sent technical missions and have offered scholarships or other forms of technical assistance. Although the United States has provided the bulk of the financial assistance during this period, technical aid from these other sources has been invaluable and has often been combined with American aid to make them both more effective.

How should one appraise the work of these past four years in Vietnam? If it is merely the effectiveness of American aid on which a judgment is to be made and the wisdom with which it is administered, I suppose I am not the person to undertake the task. I do feel qualified to say a closing word about the accomplishments of Vietnam in those areas in which American assistance played an important role.

In the first place, Vietnam is a free nation today, stronger militarily, politically, and administratively than most people thought possible four years ago.

In the second place, Vietnam has made the transition from colonial status and an inflated wartime economy to political independence and a normal level of economic activity without a fall in the standard of living and without loss of political or economic stability.

In the third place, agricultural production has been restored and refugees equal to seven percent of the population have been received and resettled.

Parenthetically, I would like to say that Vietnam has been slow to return to the world rice export market, but that, I think, is because of increased domestic consumption, attributable in part to the refugees, because actual production, I believe, has already reached and surpassed the prewar level.

Fourth, much of the physical destruction caused by the civil war and the years of occupation has been repaired.

Fifth, a program of industrial development has been launched.

Finally, the nation has been enabled to maintain the military strength required by the constant threat of Communist aggression.

In fact, so much has been accomplished in the past four years that one can easily forget that Vietnam remains a divided country, not enjoying the blessings of peace, but protected only by an armistice. The threat of subversion and violence within and of infiltration from without and the danger of actual invasion are always present. This, I think, is why the Government of Vietnam is sometimes obliged to put considerations of security ahead of economic objectives and why defense continues to absorb such a large proportion of the total national budget and of American aid.

Many problems certainly remain and some of mutual interest are yet to be resolved, but so long as Vietnam has a leader with the courage, moral strength, and determination of President Ngo Dinh Diem, the nation can face the future with hope and confidence. So long as these threats to national security remain, however, Vietnam will need the help of the United States and of her other friends among the nations of the Free World. If we can judge the future by the past, Vietnam will deserve our assistance.

BUILDING A STRONG VIETNAMESE NATIONAL ARMY

by MAJOR GENERAL SAMUEL L. MYERS

*Former Deputy Chief,
United States Military Assistance Advisory Group,
Vietnam*

AS AN AMERICAN WHO HAS ENJOYED THE PRIVILEGE of very close association with the Vietnamese people, who deeply admire their patriotism, their industry, and their deep-seated hatred of the Communists, it is a great pleasure for me to address you today. My subject will deal primarily with the phenomenal development which has taken place in the Army of Vietnam in the past few years. Probably the most remunerative years of my life, years which I have thoroughly enjoyed and during which I have seen the changes which I shall depict, have been those years just recently completed as Advisor to the Armed Forces of Vietnam.

I arrived in Vietnam about the first of September 1956 and will utilize this date as the starting point of my discussion. Having reported in to General Williams, the Chief of MAAG, and having experienced an extremely short orientation, I embarked upon my duties, which were to supervise the training of the Armed Forces of Vietnam.

During the month of September 1956, and particularly during my orientation, an assessment of the problems in connection with training of the armed forces was accomplished. The problem areas developed by this assessment turned out to be numerous, in

fact too numerous to consider in detail in this presentation. I have selected certain of these problem areas in which major improvements have been accomplished in two and a half years and discussed each individually, stating the problem and then developing its improvements as I go along.

Probably the greatest problem facing the Armed Forces of Vietnam in 1956 was that the troops were not concentrated in such a manner that they could properly train. The majority of the army and a goodly portion of the navy were engaged in uncoordinated operations against the guerrillas and dissident sects. If my memory serves me well, six of the ten divisions were engaged, all 13 of the territorial regiments were engaged to a more or less degree, and over half of the service troops were supporting these operations as well as the entire River Force of the Navy. Isolated operations had been placed under command of individuals but there was no over-all coordination of these individuals with the result that the man who most vigorously supported his demand for troops usually got them and usually they were far in excess of the requirement.

To solve this problem required not only the greatest of tact but involved complete avoidance of participation actively since such participation would have been a violation of the mission of the MAAG. The problem was solved primarily through the education of the commanders, their staffs and subordinate commanders in schools covering the proper employment of large numbers of troops and the more effective methods of guerrilla warfare.

During the period under consideration, as a result of these indirect means, real progress was noted. The Binh Xuyen group was completely eliminated as a menace. The Cao Dai group was pacified or reoriented through political means to a point where it ceased to be any considerable obstacle. The Hoa Hao had been reduced to a handful of the die-hards still holding out against the government and still conducting extremely limited armed raids and assassinations. The Viet Minh guerrillas, although constantly reinforced by men and weapons from outside South Vietnam, were gradually nibbled away until they ceased to be a major menace to the government. In fact, estimates at the time of my departure indicated that there was a very limited number of

hostile individuals under arms in the country. Two territorial regiments, reinforced occasionally by one or two regular army regiments, were able to cope with their depredations.

As a result of this steadily increasing ability on the part of operational commanders to perform their mission of internal security, the following specific accomplishments are readily identifiable:

- a. All of the regular army, with the exception of a portion of one division and two territorial regiments, is concentrated in what has been established in an orderly over-all stationing plan, in their permanent home stations. This concentration has resulted in the ability to train in an organized manner and to get about the work of building troop and family housing, which is so essential.
- b. Internal security of the nation—one of the missions assigned the Armed Forces of Vietnam—is nearly realized.
- c. Civilian administration of the political and geographic areas of the country has been practically restored.

Although it is difficult to isolate these problem areas in order of priority, perhaps the next most pressing problem was the lack of formal training of these armed forces. This deficiency was brought about by a number of circumstances. Since the units had not concentrated in areas where training could be conducted, none *was* conducted. Many units were stationed in areas where no training could have been conducted anyway, even though the opportunity existed. There was a tremendous lack of training aids and training facilities, particularly range complexes—a subject I shall discuss more in detail subsequently.

The training program was limited and the training mission was combined American and French, which was not nearly as effective as desired. Steps undertaken to correct these deficiencies in the years 1956, '57 and '58, are briefly summarized as follows:

- a. In the summer of 1956, the combined French-American training mission for the army was dissolved at the request of the French, and these French training personnel departed Vietnam. Immediately a comprehensive training program, covering the entire 52 weeks of the year, was

developed and put into effect on 16th September, 1956. This training program was practically the same one which is applied to American army troop training. On June 1st, 1957, the French training missions with the Navy and Air Force were likewise withdrawn and American trainers substituted therefor. At this time, American training programs were injected into the training of the Navy and Air Force. Concentration of units (previously mentioned) and construction of training facilities (yet to be discussed) provided means to get training done. The Vietnamese high command was vigorous in insuring that advantage was taken of all these opportunities. As a result of these accomplishments, by November 1958 every unit in the Vietnamese Army, with the exception of two territorial regiments, two regiments of the 11th Division and two regiments of the 13th Division, had completed, to a reasonable degree of satisfaction, the entire year's training cycle. Company, battalion and regimental tests had been given, and those units found unsatisfactory were rescheduled to make up these training deficiencies.

Further than this, some of the divisions and a good portion of the combat support elements of the army had been through this training cycle twice with the second cycle being culminated by division and higher level maneuvers. Every division in the Vietnamese Army, except two, has had at least one such division maneuver; six divisions have completed two such maneuvers; and seven divisions have participated in either a corps maneuver or a corps command post exercise.

I may add that since preparing this document I have received information from Vietnam that the other two divisions, who had not yet had maneuvers, have had maneuvers. So they have all had them now.

Hand and glove with the unit training mentioned above was the problem of individual training which was equally as pressing. The officer corps of the army was sorely deficient in military tactics, technique, leadership and all the qualities necessary for command. The training of the individual soldier had been on a hit-or-miss basis, and there was a dire shortage of specialists. Further, it had been well established by this time that the Viet-

nameese armed forces could not maintain themselves on recruitment alone. Steps were taken at once to correct these deficiencies; and the progress obtained in two-and-a-half years is summarized as follows:

- a. A law was passed in February 1957 establishing universal military conscription. Unfortunately, this law was not as strong as it should have been because the conscription period was for only one year. Experience soon proved the inadequacy of this length of time, and before my departure from Vietnam the legal machinery of the government was in process of lengthening the time to one-and-one-half years, which is more in line with that of other countries. I have since learned that that law has been passed and the procedure adopted. To support this conscription meant a considerable increase in the capacity of training centers and development of reception and processing stations. I should like to say, with due respect to the Vietnamese personnel who handled this activity, that it was planned and executed with the minimum of American guidance and was put into operation and continued as smoothly as one could ask. Altogether, the mechanics of handling the draft were outstanding.
- b. To overcome the deficiencies in the field of specialists, three steps were taken—first, a number of schools, already existent but of limited capacity, were expanded rapidly to take care of training of as many specialists as possible in Vietnam, and these schools were heavily staffed with American advisors. Secondly, in fields where schools had not formerly existed, new schools were started, staffed and pushed to their utmost. Lastly, an extensive off-shore program of schooling, both in the United States and in territories adjacent to Vietnam, such as the Philippines, Okinawa and Korea, was undertaken. By the end of November 1958, the shortage of specialists in some fields had been completely eliminated and in other fields it was rapidly approaching a solution. The remaining unresolved areas of deficiency are primarily in those of medicine, engineering and electronics, all of which require a great deal of education and long-time instruction.

To overcome the handicap of officer corps deficiencies, an aggressive off-shore schooling program in the United States was undertaken, a program that has built up rapidly and paid off unusually large dividends. Those officers in the armed forces who showed the greatest promise were given every opportunity to come to the United States to attend schools of higher-level education up to the limit of their capacity. I believe this year over 1,100 such school spaces are being filled by Vietnamese officers in the United States. Only by seeing an officer before he went to such a school and then watching him operate after he came back can one comprehend the change that took place during his absence. I assure you that it was amazing.

The statement which I have just made can be carried a little bit further and in a manner which I believe will be of great interest. Never in my life have I seen people so anxious to learn. The average Vietnamese soldier, of course, is a very simple man, having little or no basic education, but the desire to learn is there and the ability to learn is rapidly developed with patient and understanding instruction. They take to American equipment rapidly because they can see the value of this equipment to them and to the future of their country. They learn how it works and how to take care of it, primarily by repetition; but they learn their lessons thoroughly.

American customs are something else; and newcomers soon found out that it was a very wise advisor who did not try to force any of his customs upon the Vietnamese. As a matter of fact, it has been my experience that there are a great many Vietnamese customs that could very well be adopted by Americans. They are most anxious to please; they are extremely polite; they are tireless; and once given a position of responsibility, fulfill that position with the greatest of pride.

While discussing the subject of training, I mentioned the fact that there was a dire shortage of training facilities. Perhaps the greatest shortage of all was in the field of ranges and by ranges I don't mean rifle ranges as one usually conceives the problem, but a complex of ranges on which troops could be taught to fire every type of weapon.

Early in September 1956, a range construction program was developed by the MAAG, approved by the Vietnamese and dis-

tributed to the troops. Hand and glove with this, ways and means were found to procure money with which to build these range complexes for the current year; and funds were injected in subsequent budgets to insure that the program was pursued. In this field, probably the most outstanding progress of all has been made.

In September 1956, there was only one really decent range in the whole country, and that one was in the Quang Trung training center which, incidentally, was promoted by General O'Daniel and which presently bears his name.

Firing with any weapon was usually done in a haphazard manner. The troops would carry out a few target frames, stick them on the beach or else against a mountain side, pace off 100 or 200 yards, fire a few shots with no marking or pasting or scoring and consider themselves experts. With other weapons, even less formality was the rule rather than the exception. Frequently targets of machine guns or recoilless rifles would be nothing more than a rock on the side of a mountain or a tin can floating out to sea.

With the initiation of the range building program, miracles really happened. This money was spread as far as it would go throughout the country, but primarily the work was done by the men themselves because the first year there was not enough money and it was a matter of sort of pulling themselves up by their bootstraps. And each unit, particularly those that lived in the jungle areas, went out and cleared areas of jungle—literally acres of jungle by hand—and built these ranges, some of them the finest that I have ever seen anywhere.

At the time of my departure, approximately 15 complexes totalling 190 ranges, had been built throughout the country at an extremely low expenditure in dollars, since most of the work was done by troop labor. The results of this effort were really paying dividends.

While it is hard to believe, in the last target season conducted during my stay in Vietnam, whole regiments have been reported to qualify as much as 90% of their men with the rifle, the carbine, the Tommy gun, and the machine gun. Qualifications of 80% were common. And this compares very favorably with American training records in that with similar weapons in U.S. training centers, an average of perhaps 85-88% is maintained. I can assure

you very definitely that the Vietnamese Army can now shoot effectively with any army in the world.

The next problem of magnitude was that of housing, both troop and family. There were isolated spots where satisfactory barracks existed but there were no camps such as we know them.

The solution to this problem required two phases. First, troops had to be concentrated, and this was done.

Second, it was necessary to build. This building was undertaken also in two phases. The first step was for the troops to build their own cantonments and family housing out of locally procured materials. It is amazing to see what the Vietnamese soldier can do. With a little bamboo, with a little thatch, with some vines to tie them all together, and a few shovels to smooth off the ground and make ditches, these soldiers can build barracks, offices and housing at an incredible rate of speed. Even more remarkable is the fact that these *Nipa* houses will stand up and shed rains of the heaviest storms for at least two or three years.

The second phase in cantonment construction was, of course, long range and more expensive, especially that of building permanent installations. A long-range development program in this field was prepared and by November 1958 approximately one-fourth of the over-all program had been accomplished. If at any time it was possible to get more money, the program was given greater emphasis in areas where it was most needed and, as a result, at least one division now is fully housed in good permanent construction.

Now at this point I am going to digress slightly from my prepared statement, because I have another item which is pertinent here.

There were some areas in which I was unable to talk. Two or three days ago I received a paper which had been sent to me from Vietnam by a very high government official, in which he had made some statements which were not included in my prepared text, and I have extracted two of them, one of which I should like to read at this moment. But I must attribute it to a very high Vietnamese official who will have to remain anonymous. This is the statement:

"An even more immediate aid to the Vietnamese economy is being realized by the military activities of the

ARVN engineers. In 1958 alone, the engineers began projects calling for construction of more than 154 miles of road, 5 major bridges and 98 minor bridges and 2 airfields. While all this construction is required for military purposes, at the same time it is opening up new areas to resettlement and cultivation which have heretofore been beyond reach because of the impenetrable forests and jungles. Nearly all of the construction mentioned above will be completed by mid-1959. In addition, the engineers are digging wells, supervising the construction of cantonments and barrack areas and during duty-free hours are helping the army's program of self-help which has been responsible for the construction of hundreds of family houses adjacent to the military camps. All of these construction projects are developing civilian contracting skills as well as military ones and are increasing the economic development in areas where troops may be stationed. All told, about 75 per cent of the engineer troops are engaged in military work that contributes directly to the economic development of Vietnam."

The next major problem was that of correcting logistic deficiencies, not only to overcome shortages of equipment, but to teach an orderly system of receipt, storage and issue of supplies. It was my general impression, after first looking into the system, that the technical services and particularly their depot representatives seemed to feel that all supplies of the armed forces were their own private property, that the sole purpose of these supplies was to pile them neatly on warehouse shelves so they could stroll through occasionally and admire their handiwork. I might hasten to add that that is a common failure amongst depot commanders in all the armies that I have ever encountered, the United States Army being no exception, so it is nothing new or unique.

If the commander in the field needed something, he could requisition until he ran out of paper and it would rarely be supplied to him. If he had interest enough in the welfare of his unit and went back to the depot and argued loudly enough and long enough with the depot commander, he might get what he wanted or needed. It was not uncommon for commanders to send trucks all the way back from Quang Tri to Saigon—a distance of

over 500 miles—on a poor road, to get supplies which actually were on hand in the depot in the vicinity of Quang Tri. This job really took a bit of doing and it isn't completed yet.

First, it was necessary to educate every individual in the supply system, that the impetus of supply should come from the rear, that the measure of efficiency of a supply agency was not only its ability to warehouse equipment but to get it in the hands of the users and in the quantity needed. This system of education is slowly permeating through the armed forces but there are still many individuals who reluctantly accept such a procedure.

The next step was to inventory all the assets in the country and get them distributed in depots and sub-depots in quantities proportionate to the troops which these depots were to supply. This required a complete readjustment of stocks of all types of supplies throughout the entire country. It also necessitated construction of some new sub-depots near to the troops and in accordance with the new national stationing plan. This task has not yet been finished, particularly insofar as pertains to ammunition, medical supplies and hospitals, and naval stores and aircraft parts and munitions. But really good progress is being made; another two years should see it done.

The next step was to inject into the Vietnamese logistic system a method of requisitioning supplies which was effective and not time-consuming. This method has been accomplished, and subject to the reluctance on the part of various depot commanders, is beginning to work more effectively. Time alone will correct completely this deficiency.

Finally, it was necessary to get rid of literally hundreds of thousands of tons of material which in no way contributed to the effectiveness of the Vietnamese armed forces and greatly handicapped their effectiveness because it was necessary to take care of it. These excesses were created by the rapid withdrawal of the French forces and the demobilization of the Vietnamese forces subsequent to the Geneva Accord. As you well know, tremendous emphasis was placed on supply of the French forces during their battle with the Viet Minh. Many of the supplies for these forces had no place in the future of the Vietnamese armed forces. It was, therefore, necessary that these be collected, evaluated and reallocated to other portions of the world where they were needed.

In addition, huge masses of unserviceable equipment had accumulated in various areas all over the country. It was necessary to collect, inspect and repair or rebuild those items which could be of future use to the Vietnamese forces. And, lastly, there were thousands of tons of just plain scrap which were a burden to the nation and subsequently had to be disposed of. In all these actions is where TERM (Temporary Equipment Recovery Mission) came into the picture, and TERM has been doing an outstanding job, and continues to do so. TERM is an agency which was created in the summer of 1956 to augment the activities of the regular MAAG.

The last major problem area which I shall discuss is that of the organization of the armed forces themselves. Initial steps had been taken along these lines somewhat as follows:

There had been created a general staff; a general headquarters had been set up; ten divisions had been created; and the subordinate combat and support elements of these divisions were in existence. There was still, however, considerable to do, not only to further the training effort of the armed forces but to insure properly coordinated actions in the event of resumption of combat.

Again I shall digress briefly from my text and read another quote attributed to the same individual whom I have mentioned previously. This is a subject which I was unable to mention in this document:

"One of the most far-reaching recent developments has been the reorganization of the basic combat units. A new infantry division designed to pose a far greater combat potential has been thoroughly field tested under varied conditions of assumed combat and has been accepted as standard. When reorganization to adopt it is finally complete, our forces will be more self-sustaining, will be better able to maneuver and to fight a coordinated, well-planned battle. A unique feature of this division is its ability to absorb approximately 2,000 coolies, during hostilities, for transportation of ammunition and supplies."

During July of 1957, the First Corps was created and there were assigned to it three divisions and the appropriate numbers of supporting troops. In the late months of 1957, the Second Corps

was created with an assignment of four divisions and similar supporting troops. Since this time, I am very proud to report, tremendous progress has been made in the field of large unit training and the young, but extremely energetic, commanders of these Corps have developed experience all out of proportion to the time which has been available. For example, the First Corps has conducted two Command Post Exercises, a major war game, and just recently has conducted a maneuver of three-division size. The Second Corps has had one Command Post Exercise and one maneuver of four-division strength. While these exercises were not as perfect as one would desire, they served as magnificent vehicles to develop the strength and weaknesses of these commanders. As a result, deficiencies disclosed are being corrected as rapidly as possible. When one considers that in practically all of Southeast Asia, except in Vietnam, there is still no army element as large as a corps, this accomplishment best exemplifies the progress which has been made.

Now what does all this cost? While I am not at liberty to disclose the actual dollars and cents involved, I can state—as many other military men experienced in this work have done—that the per capita cost is much lower than one would imagine. If we did not have these staunch Vietnamese soldiers, the only way that the stronghold of democracy in this isolated area, surrounded by Communist threats, could be maintained would be by the use of U.S. soldiers who basically cost us approximately five times as much. How better can one insure the freedom, friendship, and democracy of a firm ally for less?

In conclusion, I should like to summarize what is the consensus of opinion of most personnel in authority in Vietnam with respect to what the Vietnamese armed forces are now able to do. These capabilities are the results of considerable expenditures of money and an outstanding expenditure of time, sweat and toil on the part of the MAAG personnel, as well as whole-hearted, all-out, enthusiastic cooperation of the Vietnamese Armed Forces themselves. They are now able to maintain internal security and have reached the point where that responsibility could be turned over to the civilian agencies. If there should be renewed aggression from the north on the part of the Viet Minh, they can give a really good account of themselves. There are many Vietnamese who are even

more optimistic than that statement implies and feel that they have the capability of counterattack. In any event, considering how little time they have had, their accomplishments are close to phenomenal. In the words of a very high-ranking general of a neighboring army, who visited Vietnam during October 1958: "I should like to send my staff over here to observe and learn how this miracle has been accomplished."

I was going to stop there, but if you will pardon me a few seconds more, I received a letter two or three days ago from a Vietnamese soldier. This young man is 22 years old now; he was 19 when he started working for me. He worked for me as my secretary and assistant of sorts the entire time I was there. During the time I was there, he was drafted. He went into the army; he did his sixteen weeks' training at Quang Trung Training Center and then came back and worked for me as a soldier. He is a very remarkable young man in that he has educated himself, as you will see from the tone of this letter, through a self-educating system.

I am only going to read one paragraph; his words say more than I can possibly ever say.

"The many recent field trips with the Deputy Chief, MAAG training team brought me to many places where I could observe my countrymen in uniform at work. There is no doubt that they lead an austere life; but their morale is high and, most important of all, they are learning, and learning fast. To quote the words of a private friend of mine up in the Second Infantry Division, formerly the Second Field Division, 'It won't be a paper tiger but a real, live, swift and terrible tiger that Uncle Ho's boys will have to deal with in case they get mean and start anything, *and they know it.*'"

VOLUNTARY AMERICAN ASSIST- ANCE in VIETNAM: *The American People Respond*

by RICHARD W. REUTER
Executive Director of CARE

IT IS SELDOM THAT YOU FIND A CONFERENCE WITH the participants so unanimous in their attitudes as at this conference, and I think this reflects, probably better than anything any of us could say, the great love that has grown for the Vietnamese people on the part of all of us who have had the opportunity of working alongside them.

The CARE Mission to Vietnam occupies a typically Saigon house—open, all-expansive, on the outskirts of the central city, and it serves not only as the Mission office but also as the home of the Chief of the CARE Mission.

During those tough days of the summer of 1954, when it looked as though all hope was lost for a free and independent Vietnam, CARE was one of four American voluntary agencies—Catholic Relief Services, Mennonite Central Committee, and International Rescue Committee were the others—that responded to the plight of the some 850,000 refugees coming down from the north. With trained personnel and with emergency supplies, the volunteers supplemented the relief work that the American, the French, and the besieged new Vietnamese governments provided.

Those fleeing the Communist Viet Minh in the rich Hanoi Delta area found little peace in the South. The anti-government Binh Xuyen sect night after night would send one or more trucks

through the downtown Saigon area shooting aimlessly and then retreat as quickly, pursued by units loyal to President Diem. The CARE office was on the edge of what you might call the Binh Xuyen "reservation," and each time one of these excursions into the central city started, they went through our back yard. Our men soon learned that it was the better part of wisdom at such a time to retire to the iron bathtub in the center of the house. Many a report was typed and inventory record adjusted from this vantage point for too often wild shots would come a little closer than was desired. I noticed last summer that there still is a patched-up hole in the side of the bathtub where one of the rifle shots had even come close to that little sanctuary.

That summer of 1954, as the naval units implementing the Geneva agreements of July 20, started to bring the stream of victims to find a new life in the South, CARE was distributing tins of condensed milk to the mothers as they disembarked from the ships. The wives of the American personnel in Saigon volunteered to stand on the docks, make the distribution with what may have been even more important—the cheerful "hello" and the handshake of welcome—and assist the authorities as they loaded the vans that were going to take these people to the tent camps that had been prepared for them on the outskirts of the city.

And for a few days all went well. But I think it was the third day when one of the ships came in and, instead of the typically cheerful group of Vietnamese getting off the ship, it was a sullen, almost frightened group that came ashore trying not to look in either direction and refusing both the greeting and the proffered milk. It was well into that day before one of our local staff discovered what the reason was, that apparently Communist agents had planted the story among the women on the ship that this was an American scheme to poison the children so that they would not have to be bothered with them. The plot was broken as the CARE man and two of the wives—and I wish they were not nameless wives—opened three of the tins of condensed milk in front of a group of women in the trucks, and standing there, drank the undiluted condensed milk on the spot. Have you ever stood on a dock in Saigon in steaming heat of about 100 degrees and drunk undiluted condensed milk?

My heart goes out to these people. But it worked, and never again did we have the problem of poisoned milk. I do not know who was smart enough to think of the idea of opening the cans and drinking them there. It is the kind of a thing you usually think of a week later. But it is the kind of a thoughtful act, the kind of a willingness to do what has to be done at the moment, that means so much during a period of confusion such as this.

There are dozens of such stories. I do not think that they are necessarily important, not in the fast-moving swing of world events these days. But they are human stories, and voluntary agencies are particularly concerned with human beings as human beings. I am sure Monsignor Harnett,* who served so long there, could tell many a story and Joe Buttinger could tell several as well. Mr. Barrows, I am certain, could tell of such incidents. I was rather hoping that General O'Daniel would expand his article on "Free Vietnam: Modern Miracle"*** into a book and put in some of this kind of human story.

The years 1954 and 1955 were confused, unstable days in Vietnam. The lack of trained administrative people in the Vietnamese government made it difficult to coordinate and use all the aid offered by the myriad of governmental, U.N. and private agencies that descended upon the country to help. Few thoughtful persons felt that the country could be saved. The cynic always cries "operation rathole" at a situation like this. "Operation brotherhood" turned out to be the more apt description of the work in Vietnam. Those of us who believe that people are important insist that an "operation brotherhood" is always worth while, whether it is successful or not.

In many respects the role of the American voluntary agencies in Vietnam is not dissimilar to that of voluntary agency operations in many other parts of the world. For in Vietnam, as Ambassador Chuong suggested at lunch today, we can see many of the problems that beset numerous other countries in this explosive mid-20th Century. The question of assimilating refugees is hardly unique to Vietnam, though the problem certainly has been much more efficiently and realistically handled in Vietnam than in many

* Monsignor Joseph J. Harnett, Director of the Vietnam Mission of Catholic Relief Services, National Catholic Welfare Conference.

** *The American Mercury*, March, 1959.

other spots. The problems of the movement of population from crowded coastal, agricultural areas into new virgin areas and in the interior—and General Myers could have talked a good deal about this—and the influx of people into urban centers without corresponding development of employment opportunities, public health and housing facilities, are also major problems in many areas of the world. We see here in Vietnam, too, the problems of establishing public education, improving agriculture and starting industrial development and through it all runs the need for trained people, for technicians and administrators.

In brief, Vietnam is actually, in many respects, typical of a number of the newly free, non-industrialized nations, and it is worthwhile to note that many of the questions which we raise this afternoon are applicable not only to Vietnam but to other countries as well.

In discussing American voluntary agencies in Vietnam an initial question obviously comes to mind: Why are voluntary agencies operating in Vietnam when the American government, the French and the other organizations such as UNICEF and WHO are doing extensive work in the same area, and in many cases dealing in the same problems?

The answer, I think, can be summed up in the single phrase: *people to people*. The voluntary agency is a channel. In fact, the only channel which makes it possible for the American people as individuals and groups to respond immediately and directly to situations with which they are concerned. This was clearly evident in the summer of 1954. The inundation of refugees from North Vietnam had barely started before American voluntary relief organizations were operating emergency programs in Vietnam. Between July of 1954 and June of 1958, these American voluntary agencies had programmed and carried out more than \$30 million worth of assistance. And this is assistance which came, and is continuing to come, on a voluntary basis from the American people to the people of Vietnam. Those who would have it that Americans as individuals are unaware of their brethren in the rest of the world, of their international obligations, might well reflect upon this figure. While it may not seem much in comparison with the \$983,000,000 in U.S. Government aid, because it is voluntary and reflects that extra bit, voluntary agency aid

has a value that cannot be measured by statistics or dollars and cents as such. Also it is important, I think, to emphasize that the value of the aid that comes this way is greatly increased because there are basic programs carried on by the government.

During the first years after 1954, the American agencies concentrated on relief, refugee reception and direct emergency relief. The International Rescue Committee, with its program for refugee students, was one of the first voluntary agencies to operate in Vietnam, as was the Catholic Relief Services of the National Catholic Welfare Conference, which immediately took a particular concern for the refugee groups coming down from the North, many of whom, of course, came as Catholic parishes. At the same time, the American Red Cross was active in supporting its new Vietnamese counterpart, and the Mennonite Service Committee cooperated in establishing pioneering rehabilitation projects. Other groups helped—the names are not necessarily important to this paper, but the Asia Foundation, Church World Service, and more recently Foster Parents Plan are all active and should be mentioned. Also the group of American wives resident in Vietnam, to whom I have already referred, spent countless hours working with and for the refugees and organized the American Women's Association. And they are continuing their good works as a demonstration of the typically American pattern of voluntary activity alongside their government-employed husbands.

But I think it took our friends from the Philippines to really implement "Operation Brotherhood." Started in the early days of the Republic of Vietnam, this effort in the estimation of many of us is one of the most significant voluntary agency developments to have taken place during the last decade. Operation Brotherhood medical teams have treated countless thousands of people, most of whom had never seen a doctor before. And it is significant that this is an international undertaking, sparked by doctors and nurses and ideas from the Philippines. I do not think that there is a single American voluntary agency operating in Vietnam which does not recognize the importance and the pioneering nature of Operation Brotherhood and assist in every way possible. I know that CARE channeled large quantities of drugs and medical equipment to Operation Brotherhood doctors working along the East Coast and in the Mekong Delta area of Camau.

The International Junior Chamber of Commerce, assisted by the International Rescue Committee, undertook to raise financial support in the United States and other concerned countries, so that all might feel a sense of participation. Operation Brotherhood, with an assist from Tom Dooley and his volunteer medical group, also became a pattern for the establishment of still another move in this direction—Medico. Dr. Peter Comanduras, Medico's chief, visited and worked with the Philippine teams. This was truly a heart-warming project and, as is always the case, as valuable to those who took part in the experience as to those they helped.

Voluntary agencies are an important component of America's international effort. First, by its very nature, the voluntary agency is flexible in its operation. This means it can pioneer new approaches to existing problems. It can learn from experience and alter its program accordingly. Parenthetically, I might throw in the fact that whenever CARE makes local purchases, samples of the components are always returned to the New York office to be kept in stock there so we can be sure of the quality of the goods provided. But I might say that when the samples of dried fish arrived from Vietnam we did a quick inspection and then disposed of them—we decided that flexibility is important even in your rules.

Secondly, the voluntary agency is capable of shifting its program quickly to meet changing needs. Thus, American voluntary agencies working in Vietnam have shifted their emphasis from relief operations with emphasis on food to rehabilitation and development programs, where the emphasis is on creating social and economic conditions conducive to growth and development. Let me note here the heartening nature of this shift, for it is proof of the fact that the Vietnamese people, with assistance from abroad, have tackled and solved the once seemingly overwhelming refugee problem. In fact, there are no more refugees. Those who were once refugees have either been resettled or are in the process of resettlement and integration into the social and economic structure of South Vietnam. This is not just a play on words. It is a concrete accomplishment of which the Vietnamese and the American people can both be justly proud. It is terribly important that in two years we were able to say "there are no refugees."

Nothing is more disastrous than the very definition and title of a refugee with its effect on the moral strength and morale of those who are refugees.

American voluntary agencies are not an arm of the American government, but they have clearly defined responsibilities, responsibilities that directly reflect the will of the American people. Their work is maximized—and I would like to emphasize this—through the use of government-donated agricultural commodities, through ICA ocean freight reimbursement. The agencies have the obligation to use the support made available by the American people in the best possible manner. In this sense, the program flexibility of the voluntary agency is also a responsibility. We are morally charged with making maximum use of every dollar contributed by the American people.

Basically there are two types of programs undertaken by voluntary agencies. One is the relief program which includes food, clothing, shelter and all the immediate necessities for the maintenance of life. There can be no question but that this is the first priority in any emergency situation. However, if the immense disparity which exists between the economically developed and the economically underdeveloped nations is to be rectified, if people are to be able to help themselves, then the voluntary agency, like government, has a responsibility to go beyond its relief function as quickly as possible. Food and clothing are the necessities of life, but they are only part of the answer to raising standards of living and bringing about economic development.

Thus it is that the voluntary agency must emphasize rehabilitation and development. I believe that this responsibility has been seen and is being met by the voluntary agencies operating in Vietnam. More and more the emphasis is on providing the social and economic setting and the materials necessary for the Vietnamese to help themselves. At CARE we call this our Self-Help Program. Other agencies use other terms, but in essence it is the same thing: to provide the wherewithal to enable the Vietnamese people to face and solve their own problems and in their own way.

In terms of its responsibility to the American donor and its responsibility to the people of Vietnam, the voluntary agency has an obligation to meet certain program criteria. Adequate and continued supervision is of paramount importance, as is emphasis

on the community and reaching as large a number of people as possible. The "multiplier" effect is an important consideration. We must concentrate on programs which will stimulate further development. In this same sense it is important that our assistance programs be channeled through the Vietnamese people themselves, and where no local group to serve the function exists, the voluntary agency must stimulate the formation of such a group.

Economic development and culture change is in many respects a demoralizing process. It develops anxieties and creates stresses and strains within the social fabric. Our own history during the industrial revolution is an excellent example of this. Social institutions—I wish I had some time to pursue this concept further—but social institutions serve an important purpose in a revolutionary world by tending to cushion the explosive forces of change. They help people to understand change and the reasons for it, and at the same time give an important playback to government of the feelings of citizens. I was delighted, for instance, to learn that there is a new Lions Club being established in Saigon. One does not, perhaps, often think of the Lions Club as a social institution. But the service clubs, like any community organization, are useful aspects of democracy. They serve a basic function probably little recognized even by their sponsors. Working through these local groups and organizations then can help minimize the disruptive effects of change.

Change will come as a new nation evolves, and an understanding by people of why change is taking place and the ultimate benefits to be derived therefrom is essential for stability. The voluntary agency has a major role in helping to strengthen these important social institutions in which frequently government cannot become involved.

Neither in Vietnam nor anywhere else can the individual voluntary agency hope to accomplish the whole job alone. Actually, just the opposite—one of the real strengths is that a voluntary agency does not have to solve the problem; it works on the problem by working with people. Each agency has its different area of competence, and it is therefore important that there be cooperation not only with the host country government, local organizations and American government agencies, but cooperation between voluntary agencies as well. American agencies in Vietnam

have coordinated their programs through the "International Council of Voluntary Agencies in the Republic of Vietnam" just as they do here through the American Council of Voluntary Agencies for Foreign Service. Only recently, CARE allocated some \$4,500 to supply medical equipment for the Bien-Hoa Leprosarium, the construction and equipping of which is a joint Mennonite Central Committee, CARE, National Catholic Welfare Conference, American Women's Association and Vietnamese Government undertaking. When you get all that grouped together, you have really got something. Tillman Durdin had a story in *The New York Times* of April 12 about President Diem's sponsorship of the new cultural center for the northern part of the country at Hue. The University of Hue does not receive a large government subsidy, Durdin reported, but with typical Vietnamese determination and the help of the Asia Foundation, International Rescue Committee, CARE, the New Lands Foundation and the American Friends of Vietnam, Father Luan, the Sorbonne-educated philosopher priest, has 17 full-time professors, some 23 part-time and 18 visiting professors, and the school is open and operating with 800 students. And again typically Vietnamese, they are planning for 2,000 within the next three years. Cooperation among agencies pays big dividends.

One final area of responsibility should be mentioned. This is the responsibility of the voluntary agency to work in those areas in which assistance is most needed. We are often faced with something of a paradox. Those situations in which it is easiest to work are oftentimes those which, in relative terms, are less in need of assistance. It is necessary to bear this in mind and avoid the natural tendency to work only where we can operate with ease. The Vietnamese mountain tribes, who do not speak the national language and whose agricultural practices and ways of life are of the early neolithic age, present many difficult problems to government and voluntary agencies alike. However, their thoughtful integration into the national scene is of primary importance. Here is an area where assistance is difficult, yet voluntary agencies have a responsibility to find ways of providing assistance despite the obstacles.

We have so far discussed the American Voluntary Agency in Vietnam, past and present, but what of the future? Is there still

a place for voluntary agencies in Vietnam now that the country is well on the way to solving the refugee emergency which initially brought many agencies into Vietnam? The emergency as such is past, but, as has been pointed out so often today, the nation still faces a number of problems to which voluntary agencies can and should address themselves. The Vietnamese government is making a determined effort to combat illiteracy. This is certainly an area in which voluntary agencies can also make a fundamental contribution. The same is true of the whole area of public health where hospital and dispensary supplies and equipment are sorely needed.

There is also the problem of urban concentration. A few years ago the City of Saigon itself had a population of approximately 450,000. Today, the population is close to 2,000,000. Large numbers of these people are still living under far from satisfactory conditions. This problem of urban growth without concomitant increases in housing and employment opportunities is something which I know concerns the Government of Vietnam and which is also of concern to the voluntary agency. Here, again, we are in a position to be of assistance.

Rural Vietnam also presents a continuing challenge. While some agencies are continuing to work with the resettled peoples from North Vietnam, others are concentrating on helping the Vietnamese farmer to increase his productivity. The new settlements will need help and encouragement for a number of years. Clearing the jungle can be done with machines, but establishing a new community takes people, and the voluntary agency is uniquely equipped to work with people. One of the less obvious reasons is that we can even afford to make mistakes. And as people learn a new democratic way of life, there will be mistakes, but this is part of the process of maturing democracy. The voluntary agency can afford to improvise, if you will, in a way that is wholesome and encouraging and in a way which government, which unfortunately can never make a mistake, is sometimes unable to do.

Vietnam is on the way, but there is still a great deal to be accomplished, and I hope that we will stay until the job is done.

Finally, the voluntary agency and its direct people-to-people approach is perhaps the most effective means to bring about

understanding between peoples of different cultures, and understanding of America on the part of the Vietnamese, and an understanding of Vietnam on the part of Americans. We are not so unrealistic as to believe that the long-range economic problems which Vietnam faces can be solved in any spectacular manner, but we do believe that a thoughtful, responsible approach to these problems on the part of voluntary agencies—an approach in which the agency recognized its obligations to both the donor and the beneficiary—is a meaningful contribution to Vietnam, the nation, and its people.

I have not talked much of our hosts today, the American Friends of Vietnam. It is to this area of cultural relations that they have particularly dedicated themselves. This very Conference is an example of their work, but the important story will be lived in Vietnam by the graduates of the University of Saigon and now of Hue, by the Elinor Dubin scholarship winners, and by American students at Michigan State, Brandeis University and Seton Hall whose lives are enriched by a fuller appreciation of the culture of Vietnam as a result of American Friends sponsorship of the three-university lecture series.

The oft repeated advertising theme so frequently paraphrased these days is partly applicable here. "They said it couldn't be done!" *Mirabile dictu*, somehow those disunited, frightened, war-ravaged, sometimes confused South Vietnamese people took in their northern refugee brothers, secured the frontier, reoriented the economy and with it all found the strength, the will—and the help—to establish a stable government, with independence! It could not work—but it did. What a wonderful testimonial to the value of not giving up. What a testimonial for America of the value of "foreign aid." Today, we can say congratulations—congratulations to a people, and their strong leaders, who did not know enough to quit.

Speaking for all the voluntary agencies, it has been an honor to work with these people. We dedicate ourselves to continue our service as these gallant people pursue their search for stability and economic justice under a free democratic form of government. Thank you for giving me this opportunity to speak on behalf of the concern of the American people as expressed through their voluntary agencies.

ANNEX I

Message of Greetings

DWIGHT D. EISENHOWER

Please give my greetings to those attending the Washington conference of the Americans Friends of Vietnam.

I am sure this conference will be a valuable forum for exchanging information and ideas on problems of vital interest to the United States and Vietnam. It will also focus attention on the substantial progress being made in Vietnam under the leadership of President Ngo Dinh Diem.

Congratulations to your members, and best wishes for the continued success of their work. With warm regards,

DWIGHT D. EISENHOWER
*President of
The United States of America*

NGO DINH DIEM

I am happy to convey to you and the distinguished members of the conference my warm greetings and best wishes for the success of your deliberations. I am grateful to the American people for the invaluable assistance to preserve our liberty. My Government and my people are determined to attain our economic independence just as we are determined to live in freedom from Communism and in peace and prosperity as a member of the community of the free world.

NGO DINH DIEM
*President of
The Republic of Vietnam*

RICHARD NIXON

It is indeed a pleasure to extend greetings to the American Friends of Vietnam as you meet to review the position of Vietnam in the free world. I know your discussions will prove both stimulating and productive and I welcome this opportunity to send all of you my best wishes

as you continue your outstanding work on behalf of world peace. Sincerely,

RICHARD NIXON
*Vice President of
The United States of America*

NGUYEN NGOC THO

It is a pleasure and privilege to convey to you and to all of the distinguished participants of this conference my hearty congratulations and good wishes for the success of your undertaking.

I wish to take this opportunity to underscore the uniquely positive role American aid has played in Vietnam. Your assistance sustained my country at the time of its direst needs, and your continued aid has enabled free Vietnam to face the world with confidence and self-assurance. Ours is the primary responsibility for attaining economic independence, and with your assistance we shall redouble our efforts to attain this goal.

History has willed that we become friends across the far seas. It is comforting to us that this bond of friendship has grown stronger over the years. The Vietnamese people will never forget the contribution of the American people and of their government to make this a reality.

Your conference is another good illustration of the common responsibilities we and you share in preserving our liberties in peace and prosperity. I am certain that your efforts of this day will be crowned with success

NGUYEN NGOC THO
*Vice President of
The Republic of Vietnam*

VU VAN THAI

On the occasion of the Conference on American Aid to Vietnam, I beg you to transmit to the participants my regret that I will not be able to be there personally. It would have been very pleasant for me to personally testify to the considerable role played by American aid in the recovery of our country, a recovery which almost without exception observers of the international scene have termed miraculous.

I believe that you yourself, Mr. Chairman, as well as those of your American friends who have shared with us the experiences of this significant period in our history will agree with me when I say that we did not have any feeling of having lived through a miracle.

We worked, we struggled to solve the problems which faced us with the means at our disposal—American aid and our Vietnamese resources—and while we worked on, darkness gave way to light without our even becoming aware of it. That in this country where, for many years,

national aspirations were crushed by the merciless struggle between colonialism and international communism, a simple tactical incident between the two colossi provided just the faintest hope for survival; that this hope was seized upon and that, from a country dominated by terror, overturned and ruined by fourteen years of war, and where the victorious march of Communism seemed impossible to halt; that from this chaos there emerged a peaceful and politically, economically and financially stable nation; and that that nation after having rapidly consolidated its political independence now marches with giant strides towards economic independence—all that has been for us the logical result of the facts and the result of difficulties patiently overcome.

Since that time we have been animated by the will to survive; since that time each of us has been aware that he was defending his very right to live a human existence, and the recovery of our country has become a goal attained.

To us, the miracle is not in our own attitudes and outlook, but in the attitude of the American people. What is most extraordinary, when one stops to consider, is that a people living a safe and comfortable life, on a continent situated at the opposite ends of the earth from us, realized in time the joint responsibility of the destiny of the free world and that it came to this realization not through any intellectual process, but that it was ready to sacrifice a part of its comfort to help other peoples defend their right to live the same ideal and to conquer misery and poverty.

Certainly the most significant fact for the evolution of the free world is that the idea of international cooperation was born in a country which only yesterday was the country of isolationism itself, and that this idea was born in time to constitute for the free world the most effective means of defense against the pernicious subversion of international Communism. It is the miracle of the American attitude united with our own will to live which has brought an end to Communist expansion in this part of the world.

Being in charge of the administration of the aid which your country has given us I can personally attest to the invaluable contribution it has made. Without it, the rebirth of our country would have been exceedingly long and painful and would have borne with it the certain risk of international conflagration made possible as a result of the Geneva Accords.

In conclusion, may I assure you Mr. Chairman, as well as the members of the conference, how encouraged I feel in my task here when I think that friends on the other side of the world sharing a common ideal have come together to study the very problems which concern me. I beg you to express to all my deepest gratitude.

VU VAN THAI
*Director General of
the Budget and Foreign Aid*

ADLAI E. STEVENSON

As I said in Tokyo in 1953, it is Asia which is now the area of decision in our modern world. We in the United States are dedicated to the proposition that political freedom and social justice are inseparably linked, one to the other and it is for this reason that we have looked with such sympathy on the aspirations of Vietnam to stake out its own claims to freedom and dignity and respect for its people.

We Americans and our friends in Vietnam have much in common, including our devotion to human freedom and national independence and a decent living for our people—and I am sure we share the common belief that the summons of the Twentieth Century is a summons to the common future of Asia and America. It is a future which we face not with fear but with hope, for it will belong to free men.

ADLAI E. STEVENSON

JACOB K. JAVITS

The victory of free Vietnam against Communist oppression validates for the nations of the free world the principles of freedom, self-determination and the dignity of the individual. Be assured I shall continue to work for mutual understanding and helpfulness between the U.S. and Vietnam.

JACOB K. JAVITS
United States Senate

GEORGE V. ALLEN

During the past four and one-half years I have watched with sustained interest and pride as the Republic of Vietnam marched steadily toward political and economic stability at home and established itself as an integral member of the Free World in Southeast Asia. All Americans who wish to consider the merits of our mutual security program will find in Vietnam a vibrant example of the essential value of U.S. aid.

I am delighted to know, therefore, that the American Friends of Vietnam and the participants in this conference have joined together to provide a public record of this most notable achievement of Vietnamese-American cooperation. During the course of your discussions of the more material facets of Vietnamese-American cooperation, I trust that you will also take note of the cultural bonds which have rapidly developed between our peoples to keep pace with our cooperative political and economic relations.

This growth of mutual respect and friendship at the personal level, flowing from widening private and official relationships, I submit, provides the real stuff of our determination to face future responsibilities together even more capably than we've faced them in the past.

GEORGE V. ALLEN
*Director,
United States Information Agency*

ANNEX II

Economic Aid Program Data

ECONOMIC AID PROGRAM DATA* (In Thousands of Dollars)

Net Activity During Fiscal Year	1955	1956	1957	1958	1959	Total
Technical Cooperation		3,471	4,412	4,035	4,300	16,218
Defense Support	323,594	198,564	253,857	174,390	177,000	1,127,405
(Project)	7,291	19,204	44,318	24,767	32,000	127,580
(Nonproject)	316,303	179,360	209,539	149,623	145,000	999,825
TOTAL	323,594	202,035	258,269	178,425	181,300	1,143,623

Loans: In both the FY 1956 and FY 1957 programs \$25 million of Defense Support funds were made available on a loan basis.

PL 480 (Title I): During FY 1958 a PL 480 sales agreement was concluded with Vietnam for \$6 million for the purchase of U.S. tobacco.

Asian Economic Development Fund: Programmed \$677,000 in FY 1958 and \$135,000 in FY 1959 for Malaria Eradication.

Development Loan Fund: A loan of \$19.5 million has been approved to finance a new water distribution system for the City of Saigon.

NOTE: Military Assistance Program funds are not included in the above table.

* Figures and data on U.S. economic aid program to Vietnam were provided by the International Cooperation Administration.

FY 1958 — PROJECT AID BY FIELD OF ACTIVITY (In Thousands of Dollars)

Activity Field (Defense Support and Technical Cooperation Combined)	U.S. Contribution	Government of Vietnam Contribution (\$ equivalent)
Agriculture and Natural Resources	2,204	15,529
Industry and Mining	466	594
Transportation	16,029	2,110
Health and Sanitation	1,159	2,888
Education	1,120	7,511
Public Administration	4,031	1,785
General and Miscellaneous	3,688	1,194
TOTAL	28,697	31,611

FY 1958 — NONPROJECT ASSISTANCE BY MAJOR COMMODITY GROUP (In Thousands of Dollars)

Surplus Agricultural Commodities (Sec. 402)	8,962
Other Food, Feed and Fertilizer	12,454
Fuel	13,550
Raw Materials and Semifinished Products	82,108
Machinery and Vehicles	22,511
Miscellaneous and Unclassified	10,504
TOTAL	150,089

ANNEX III

Summary of Activities in Vietnam of Three Voluntary American Organizations

*REPORT ON ACTIVITIES OF THE AMERICAN WOMEN'S ASSOCIATION IN SAIGON**

Total charitable expenditures, which include the costs of materials purchased for the various items which the members made and distributed to institutions, were 1956: VN\$157,822; 1957: VN\$323,306; 1958: VN\$504,747. Funds for these donations were derived from membership dues, fashion shows, dances and similar activities of the Association. Following is a summary of the activities undertaken and the institutions aided during the past three years:

1956

INSTITUTIONS AIDED: Children's Hospital, Tu Du Maternity Hospital, Go Vap Orphanage, Hoi Duc Anh Orphanage, Vietnamese Red Cross, Refugee Committee, etc.

HOSPITAL PROJECTS: 1,472 baby jackets (made by the members); 40 pairs of pajamas, 55 receiving blankets, 600 diapers, in addition to radio tables and money for repair of radios, weekly visits to paraplegic ward of Veterans' Hospital, *Tet* gifts, and similar activities and donations.

ORPHANAGE PROJECTS: A sewing machine, cribs and mattresses, *Tet* gifts, supplies of milk, toys, old clothing and similar items as well as providing the salary of a social worker and the screening of windows and doors of the infant nursery.

MISCELLANEOUS PROJECTS: English instruction 1-3 hours weekly; donations of material for Hue Boy Scout uniforms; athletic equipment for refugees at Qui Nhon; tuition for 6 students at Croix Rouge Nursing School and for 29 refugee girls at Cité Marie Paul; distribution of food, clothing, drinking water, etc. to refugees.

* Prepared by the American Friends of Vietnam for its Conference on "American Aid to Vietnam" April 17, 1959; based on data furnished by the American Women's Association in Saigon.

1957

INSTITUTIONS AIDED: Those listed above and others such as Hue Hospital, Leprosarium at Ban Me Thuot, Sacred Heart Institute at Hue, etc.

HOSPITAL PROJECTS: Baby jackets, soap, towels, blankets, diapers, sheets, bowls, plates, washing machine, oxygen tent, baby incubator, small refrigerator, scales, sterilizers and other miscellaneous hospital equipment. Continued visits to paraplegic ward and similar activities.

ORPHANAGE PROJECTS: One refrigerator; monthly supplies of medicines; school notebooks and supplies, beds, milk, toys, old clothing, paid salary of one nurse.

MISCELLANEOUS PROJECTS: Small items of equipment for Pre-Natal Clinic; tuition for six students at Croix Rouge Nursing School; taught embroidery to paraplegics; English instruction.

1958

Activities in 1958 were a continuation of those for 1956-57, but greatly expanded to include more institutions and projects and a large increase in the amount of goods and services provided. Membership of the organization increased from 69 in 1956 to 154 in 1958 with a consequent increase in activities.

*THE VIETNAM PROGRAM OF THE CATHOLIC RELIEF SERVICES—NATIONAL CATHOLIC WELFARE CONFERENCE**

U.S. SURPLUS COMMODITIES AND GENERAL RELIEF SUPPLIES: From October 1, 1957 to September 30, 1958 (its fiscal year), Catholic Relief Services—NCWC distributed 119,047,876 gross pounds of relief supplies, of which 58,943,732 pounds represented United States surplus foods. These surplus foods are a gift of all the people of the United States and are forwarded to Vietnam through the cooperation of ICA and the U.S. Department of Agriculture. The balance donated by CRS-NCWC consisted of used clothing from the Thanksgiving Clothing Campaign, new clothing, medicines, hospital equipment, religious goods, blankets, knives, shoes and books. Distribution was made to families, school children, institutions, aborigines, military families and these groups are composed of needy Vietnamese comprising both refugees from the north, and residents of the South. Catholic Relief Services—NCWC has changed from a program of mass-distribution to concentration on the specific needs of the above groups and this change is reflected in a current reduction of needy persons

* Prepared by Catholic Relief Services—NCWC, at the request of the American Friends of Vietnam for its conference on American aid in Washington, D.C. on April 17, 1959.

assisted. However, despite marked progress, great need still exists. With the economy of Vietnam destroyed by lengthy years of warfare and the division of the country into two parts, the task of achieving social and economic normalcy is, of necessity, a long one and CRS-NCWC continues to aid Vietnam to strive toward that end.

FINANCING — CONSTRUCTION OR REPAIRS, MATERIALS AND/OR SALARIES: Full or partial financing of construction or repair programs (e.g., digging wells, setting up of a reservoir, construction or repair of small bridges, damming streams for irrigation, clearing unused lands, building churches, schools, orphanages, etc., etc.).

LOANS: Loans, at no interest and on easiest repayment terms possible, to cooperatives, such as fishing villages, installation of ovens for converting United States surplus flour into bread or installation of noodle-making machines for converting United States surplus flour into noodles.

SOCIAL WORK, INDIVIDUAL CASES: Individual cases requesting assistance for financial aid, employment opportunities, etc., investigated. Deserving cases assisted from a special fund set aside for that purpose. Financial assistance extended on a temporary, continuing basis, or on a one-time basis.

CHINESE REFUGEES: Negotiations to find a host country and transportation and resettlement aid to a group now numbering 250, who had fled the China mainland several years ago and whose temporary location in a neighboring country went from unsatisfactory to untenable. Vietnamese government offered them a resettlement area, and the move was recently completed. The Government is providing partial assistance for six months. CRS-NCWC is providing United States surplus foods and has transmitted \$1,200 for supplementary assistance from Feed-a-Family funds.

SCHOOLS FOR MIDWIVES: In the Blao resettlement area, a pilot project undertaken in the form of a school for midwives. CRS-NCWS paid for the salary of the teacher and provided surplus foods for students. Instruction, lasting six weeks, included related subjects such as mother and child care and hygiene. 12 girls, selected from the area, completed the course. This pilot project was a success, and it is hoped that it can be duplicated in other areas.

COTTON PROJECT: 72,000 pounds of raw cotton have been requested from ICA, from which 12,000 cotton quilts will be made for the resettled refugees in the High Plateau. Quilts will be made by the home economics schools. Project has been approved by ICA and will soon be in operation.

BRICK-MAKING OPERATION (SINCE 1954): 3 machines working full time in Honai and one at a leprosarium. Provides employment for 85

people. The bricks, in turn, create jobs for several hundred people employed in construction of churches, schools, etc.

HOME ECONOMICS SCHOOLS (SINCE JULY 1956): 15 operating in five of the seven vicariates of Vietnam. Students trained so far total 1,219; current enrollment is 1,712. CRS-NCWC has participated with funds toward teachers' salaries, maintenance for boarding students according to need, loans for financing the purchase of sewing machines, and in certain instances, funds for enlarging or constructing the schools. Courses include gardening, nutrition, basic hygiene, first aid, mother and child care and physical training in addition to pattern making, cutting and sewing. In a special joint project undertaken recently, 30,000 pieces of new clothing were made in a couple of months, and were distributed at Christmas and during *Tet*.

Periodic checks on girls who complete these courses indicate that the majority is gainfully employed in the sewing field. Originally the trainees were from the refugee population but now courses include needy girls from the resident population as well. Selection of trainees is made on the basis of need without reference to religion or any other factor.

CRS-NCWC Participation in Medical Programs

HOSPITAL AT HONAI: The hospital for refugees at Honai, directed by the Brothers of St. John of God, cares for 400 dispensary patients and 250 bed patients daily. The staff includes two medical doctors, a dentist, 6 registered nurses, 16 practical nurses and 2 laboratory technicians. CRS contributes funds for local salaries, salaries for 3 foreign personnel, medicines, equipment, and a monthly contribution to the maintenance of the institution. A tuberculosis outpatient clinic for 100 patients is included in the services of the hospital. During the past year, the laboratory has been completely organized so that all testing may be done at the hospital. Special examination equipment has been acquired for the use of the doctors. Negotiations are under way for the acquisition and installation of a fully equipped X-ray laboratory.

MEDICAL SOCIAL TEAMS: CRS-NCWC contributes salaries and medicines for six nurses in 3 dispensaries located in large population centers. The dispensaries care for an average of 800 patients daily; the nurses also do home visiting, give instructions in basic hygiene and mother and child care, maintain feeding stations for undernourished children, and give sewing courses for young wives.

NEW HOSPITAL AT QUINHON: A new 200-bed hospital is being constructed in the city of Quinhon with funds donated by CRS-NCWC. The already existing city hospital is so overcrowded that two patients are placed in one bed.

DISPENSARIES: During the past year, with the help of CRS-NCWC, dispensaries were built in Hue and Cantho.

LEPROSARIA: Funds have been contributed to construct new buildings in the leprosaria at Kontum (300 patients), Qui Hoa (550), Nhatrang (150) and Djiring (150). A new institution is now being built for 100 Chinese lepers at Thudaumot with funds given by CRS-NCWC.

HOMES FOR INCURABLES: Funds have been contributed for major construction in homes for incurables at Hue, Phu-My, Saigon, Thai-Binh and Honai.

MEDICAL SUPPLY SERVICE: The Vietnam Mission has established a card file on all institutions doing medical work; the file now includes 43 centers which have asked CRS-NCWC for medicines or medical supplies. The Saigon Mission has information on the number of patients treated, the most prevalent diseases in each area, the type of training of available personnel. These institutions are listed with the Catholic Medical Mission Board and will also be eligible for supplies sent to CRS-NCWC by other donors.

DONATIONS OF MEDICINES AND MEDICAL EQUIPMENT: During 1958, CRS-NCWC received medicines valued at \$10,000 from the Catholic Medical Mission Board and medicines and medical equipment valued at \$18,000 from the World Medical Relief of Detroit. The supplies from the Mission Board were given to 43 institutions throughout Vietnam; for the most part, those given by World Medical Relief were designated for the hospital for refugees at Honai and for the hospital at Quinhon.

SPECIAL FEEDING PROGRAMS FOR LEPERS AND TB PATIENTS: Efforts have recently been intensified to establish feeding programs, using United States surplus foods, for TB and leprosy patients cared for by non-sectarian organizations in Saigon. In July 1958 the Vietnam Mission of CRS-NCWC began giving "Feed-a-Family" packages to 240 TB patients cared for in an out-patient clinic located in one of the poorest areas in Saigon. These packages consist of food purchased locally with funds provided by the Catholic Daughters of America in their Feed-a-Family program.

PROGRAM FOR THE BLIND: A new medical field was recently undertaken consisting of a program for the education of the blind and a clinic for the prevention and treatment of blindness. CRS-NCWC supports the program with clothing, surplus food and transportation for the blind students.

UNITED STATES SURPLUS TO MEDICAL CENTERS: It should be noted that all centers doing medical work under Catholic or non-sectarian auspices are aided with regular supplies of United States surplus foods, providing the additional nourishment which is so useful in the care of the sick in Vietnam.

BRIEF SUMMARY OF ASIA FOUNDATION ACTIVITIES IN VIETNAM*

The Asia Foundation opened an office in Vietnam, under the supervision of a resident representative, in November 1956. As in the 13 other countries of Asia in which the Foundation maintains resident programs, the projects have attempted to strengthen and develop Asian educational, cultural and community institutions. In Vietnam the Foundation has supported efforts to reduce the country's isolation and the barriers to communication with other non-Communist nations of Asia and the West. It is also attempting to contribute in some measure to the improvement and expansion of the Vietnamese educational system, and in this connection has undertaken a number of projects with the University of Hue and with adult education and cultural centers. The Foundation encourages the fullest possible participation in constructive national and community activities, and is also assisting the national integration of the various religious, social and racial, especially Chinese, groups through increasing social cooperation.

Some specific examples of Asia Foundation activities in Vietnam:

UNIVERSITY OF HUE: Foundation assistance to this only institution of higher education in Northern Vietnam has included the provision of two foreign professors and the services of an American library adviser, educational equipment and supplies, support for the publishing of textbooks, and travel grants for Hue professors.

POPULAR POLYTECHNIC INSTITUTES: General administrative support for several of the institutes, which are carrying out effective private educational efforts in the field of adult education and vocational training. Assistance has also included office supplies, books and laboratory equipment.

POPULAR CULTURAL CENTERS: General administrative support has also been extended to these private intellectual centers which are equipped with libraries, study rooms and, in two instances, with small theaters. Assistance has included support for the adult education programs of these centers.

VIETNAMESE ENGINEERS AND TECHNICIANS ASSOCIATIONS: The Foundation is aiding in the expansion of this private organization through special management training scholarships at the Stanford Research Institute, a consulting bureau and other local activities, and through books and film.

VIETNAMESE PEN: Assistance to the Poets, Essayists and Novelists Club has been in the form of a loan to cover expenses connected with

* Prepared by the Asia Foundation at the request of the American Friends of Vietnam for its conference on American aid in Washington, D.C. on April 17, 1959.

translation of Vietnamese literature into foreign languages, and travel grants for international meetings of PEN.

VIETNAM BOY SCOUTS: Support of the expansion program of this organization, which recently received international recognition, in the form of local and foreign training of Scout leaders, translation and publication of Scout manuals and aid for the construction of facilities at the national training camp at Dalat.

"FRANCE-ASIE:" A Foundation loan to this publication will support a special issue devoted entirely to Buddhism, which is scheduled for publication this spring.

ANNEX IV

*The Role of Foreign Aid in the Economic Recovery of Vietnam**

INTRODUCTION

Vietnam's major efforts are being directed toward becoming independent of United States aid. Such assistance has been and still is necessary not only because defense expenditures—due to many years of war and general unrest throughout the area—have been great, but also because the costs of the war, financed from the outside, led to a situation wherein the country for years lived off largely inflated foreign revenues. During the last year of the war these revenues could be estimated at 600 million U.S. dollars. This type of income created an artificially-based economic structure and disturbed the balances that operated in the pre-war economy. For this reason economic recovery must be viewed as a long-term process, and too hasty a cutting off of foreign aid could result in compromising the political gains which have been made over the last four years.

The task to which the Government of Vietnam has set itself is to improve the standard of living of the population by building a viable and independent economy which ultimately can depend upon itself and no longer requires outside assistance. A change from what was once a stagnant and dependent economy into a growing, dynamic and independent one is possible only if there is a satisfactory rate of new agricultural and industrial investment. Vietnam can achieve this goal only if U.S. aid continues and thereby makes possible an increase in new investments. A premature diminution of foreign aid will result in a return to an unproductive economy which would eventually make the country vulnerable to Communist subversion.

The economic recovery of Vietnam can be divided into three phases:

1. The restoration of internal order (1955-56)
2. The preparation for development (1957-58)
3. The beginning of development (from 1959 on)

* Discussion paper prepared by the American Friends of Vietnam for background purposes for the conference on "Aid to Vietnam—An American Success Story," April 17, 1959.

I. THE ROLE OF UNITED STATES AID DURING THE PERIOD OF THE RESTORATION OF INTERNAL ORDER (1955-56):

It was during this period—not more than two years—that Vietnam emerged from chaos and became a politically stable and well-organized state. There is no question that U.S. aid made possible the restoration of political stability, particularly by:

A. Lending budgetary support: Following the Geneva Accords, the budget could not be supported by domestic revenues and almost all expenditures were covered by outside financing. The lack of security in the countryside blocked the collection of taxes and the tax income that was collected from certain large cities was done so at the time when tax rates were very low, a policy instituted by French authorities. Therefore, when the Vietnamese Government assumed control it had no resources on which to rely and was forced to give its full attention to the chaotic political situation; it simultaneously fought French and Bao-Daist maneuvers to gain control of the government, took up the challenge of bids for power by the politico-religious sects, and put down the efforts of subversion by the Communists.

United States aid, as a replacement for French military expenditures, gave the government sufficient financial resources and needed technical assistance to consolidate politically and to institute a working administrative organization. Despite the cessation of hostilities, military expenses still represented five times the total amount of piasters the country would normally have had at its disposal. Also, the civil administrative budget had to be increased to permit the government to reach out into the outlying areas as they became pacified. And, as an additional burden, 850,000 refugees from the North had to be cared for and resettled.

In order to solve these problems the major part of American aid—economic and military—had to be changed into piasters through the mechanism of commercial aid. This is illustrated in the following table:

U.S. FISCAL YEAR 1954-1955
(Figures in Thousands of Dollars)

Category	Direct Aid and Technical Assistance	Commercial Aid	Total
Economic and technical assistance	7,200	22,513	29,715
Assistance to refugees	16,700	39,085	55,785
Military aid	18,921	213,879	234,800
	42,821	277,479	320,300

U.S. FISCAL YEAR 1955-1956
(Figures in Thousands of Dollars)

Economic aid	14,800	39,700	54,500
Assistance to refugees	8,000	29,000	37,000
Military aid	105,000	105,000
	22,800	173,700	196,500

B. Supporting foreign trade: Concomitant to the financing of the war from outside sources were the maintenance and even paradoxical rise in the standard of living of the people simultaneous with a decrease in internal production. This imbalance between the level of production and the level of consumption led to an upset in the balance of trade. Deficits in the trade balance in 1954 totalled 9,694 million Indochinese piasters (for the three Associated States) of which approximately 7,800,000 were on Vietnam's account. In 1955 the total was 7,616 million Indochinese piasters, or 80% of the total imports.

American aid, particularly commercial aid, while fulfilling the need of piasters to cover the budget, also brought in the needed foreign exchange to close the gap between the level of consumption and the level of production. It also played an important role in the maintenance of monetary stability. Without United States assistance being applied right after the war, the imbalance between revenues and production would have led to an excess of demand over supply, which in turn would have led to an inflationary crisis and the negating of any hopes for political stability. It is worth noting that despite a decrease from a total of U.S. \$600 million to U.S. \$240 million, prices were kept at a relatively satisfactory level; there has been a rise of only 10% since 1954.

United States aid has also made possible the satisfactory settlement of the refugee problem. Vietnam not only had to resettle 850,000 refugees—equal to almost one-tenth of its own population—but had to face this problem at a time when other problems demanded the government's attention. In less than two years resettlement was achieved and successful completion of projects involving the refugees was accomplished by the end of 1957. This success can be attributed to three factors: the Vietnamese government, the availability of United States aid and the refugees themselves. The aid expenditures for the refugees were not only for direct assistance but could be considered as well-paying investments. The Cai-San, Blao and Lagna projects, for example, are contributing more and more to over-all domestic production.

United States aid also helped create a climate of confidence in the National Government and a rapid recovery in the country's economic

situation. Particularly in the Central Provinces, which had long been occupied by the Communists, the assumption of power by the National Government led to the end of privations and famine and the immediate institution of reconstruction projects, such as roads, the Tuy-Hoa irrigation system, etc. All this was accomplished in a period of six months. For the rest of the country, the following became possible: building of new schools, access to medicants, sanitary services, provision of fertilizer and seed, and buffalo for the recultivation of agricultural land, and increases in productivity. The total result was the creation of a dramatic comparison between the Communist regime and the Free Republic of Vietnam.

II. THE ROLE OF UNITED STATES AID DURING THE PERIOD OF PREPARATION FOR DEVELOPMENT (1957-58):

While maintaining a desire to achieve economic development and independence, the Vietnamese government adopted a cautious approach toward these goals in order to avoid the pitfalls of inflation and anarchy. It was therefore felt necessary to consolidate the gains of the first years and to reinforce the political structure to prepare the way for an all-out effort in the economic area. The principal accomplishments during this period were:

A. *Consolidation*: The threat of permanent Communist subversion through the use of terrorist methods made it necessary for outlying villages to be protected by force. A system for suppressing assassination attempts and violent outbreaks had to be established on a permanent basis. The effects of many years of unrest and turmoil are still operative, and a real sense of security will not be attained until a period of law and order demonstrates that peace and unity are realities.

B. *Reinforcement of the Administration*: Initially, the present Vietnamese Government was organized quickly to meet the urgent demands of newly-won independence. However, a program of accelerated economic development requires administrative personnel highly trained technically to fill key administrative posts, especially for such agencies as those created for agricultural development (for example, agricultural credit, agrarian reform, cooperatives, agricultural extension, Commission for Agricultural Development, Bureau for the Employment of Agricultural Machinery, etc.) and industrial development (e.g., the Center for Industrial Development). Fiscal policies and an adequate budgetary set-up had to be established. This meant setting up an efficient and adequate tax system. Since its inception four years ago, the Republic of Vietnam has already achieved one of the highest tax revenue percentages in Southeast Asia—12% of the national revenue.

The budgetary system, almost non-existent at the time of independence, will assure the availability of necessary receipts and public expenditures to effect the distribution of funds for the various phases of development and with the necessary coordination.

C. *Stabilization of the economic and financial situation*: After the immediate political, military and administrative problems were solved, there still remained the problem of a war-born inflation with a continual rise in the price index: from 220 in January 1955 to 240 in December of the same year to 270 in September 1956 (1949 = 100). This continual rise was periodically spurred on by the speculative behavior of a few businessmen who profited by an irregular supply of certain necessary imported products and by the scarcity of some items on the domestic market. The liquidation of foreign investments and idle bank deposits awaiting transfers out of the country created pressures on the existent currency. Firm measures had to be taken by the government at the end of 1956 and during the first three months of 1957 in order to remedy this situation. Reforms in the field of commerce, particularly in the area of imports, were instituted, allowing inventories to be built up again, the control of bank credit, and the withdrawal of money from circulation. The budget was kept in strict balance and in line with fiscal policy, rates of indirect taxes were raised to achieve the following objectives: the restraint of consumption, stabilization of prices and an increase in government revenue. Along with currency and price stabilization, speculation has ceased but a tendency toward deflation is becoming evident, which may be corrected by an increase in new investment. Achievement of economic and financial stability, however, makes possible rapid economic development without having to run the risk of inflation.

D. *Preparatory investments*: Vietnam has established for itself the principle of first completing preliminary projects to avoid bottlenecks which could easily arise in any underdeveloped country which immediately launches a grand-scale general development program. These projects are:

1. *Improvement of transportation and communications*. During the war practically all roads, communications systems and electric power centers, particularly in the outlying regions, were destroyed. This led to the creation of small, autonomous, self-sufficient regional economies, which despite the return of peace and due to the lack of a transportation network, are finding integration into the national economy difficult. The Government has had to undertake the rehabilitation of the canal networks in the South, the reconstruction of railway lines in the Central region, and the construction of roads to bring the mountainous plateau region out of isolation and into active participation in future development plans.

2. *Development of electric power*. During the war and after, activity in this field was restricted to rehabilitation; no expansion or modernization of existing plants was possible. Therefore, the cost of electric power is still prohibitive and presents a serious obstacle to industrialization. During 1957 and 1958 a major effort was made to equip all the cities in the Central and Southern parts of Vietnam with electric power centers.

3. *Development of agricultural production.* Large-scale economic development plans are, of course, dependent upon a sound agricultural base. The immediate goals are (a) to fulfill the current demand for foodstuffs and to be prepared to supply marginal needs which will develop as a result of an expanding economy and (b) to improve the balance of payments by increasing exports and decreasing imports. Improvement in the agricultural sector is being sought through a rapid increase of the cultivable land and by the use of fertilizers, the production of which is being rapidly increased. It is estimated that rice exports will reach 300,000 metric tons in 1959.

4. *Redistribution of the working population.* Vietnam's land development project is rapidly creating a large number of jobs. This policy arose from:

(a) The need to reduce the swollen sector of people employed in superfluous businesses and services: War spending in non-industrialized Vietnam created an exaggerated growth of this sector. (Commercial income in this sector rose to 17,080 million piasters and represented 24% of the national income in 1955, at a time when the main agricultural revenue—almost the only productive activity in the country—came to only 16,966 million, not quite 24% of the national income.) In Saigon alone it has been estimated that the number of persons employed in superfluous businesses and services, together with their families, comes close to 1,400,000. It has also been calculated that before the war, in all of Indochina, this sector never supported more than 3,500,000 people (i.e., workers and their families). This abnormal situation resulted in an unduly high distribution cost (compared with before the war, wholesale prices have gone up about 30 times and retail about 70 times) which seriously encumbered costs of production directly and indirectly, blocking any possibility of increasing production without a transfer of the working population from unproductive to productive jobs.

(b) The need to relieve population congestion in the Central part of Vietnam. Although population distribution in the South, even including the refugees, is ideal for economic development, this is not the case in the Center, where the quality of the soil is poor, cultivable area is small and over-population exists. The average size of holdings in this area of Vietnam is about 0.3 hectares* or 0.82 acres per family. Despite the existence of handicrafts as a complement to agricultural activity, the amount of disguised unemployment among the rural population can be estimated at about 150 days per year per person. Therefore, every person relocated from Central Vietnam to a PMS (Plateaux Massifs du Sud) work project, for example, represents a reduction in underemployment of 150 days per year, which is equal to an investment of 20,000 piasters per re-located person.

Relocation from the Central area to the PMS would serve another

* 1 hectare = 2.47 acres.

function: development of this area so that it may make its contribution to the over-all economy. The main obstacle to the development of this Plateau area has always been the lack of manpower, due in part to the fear of the Vietnamese of mountains, associated with forced labor drafts for the construction of rubber plantations in the foothills. This fear has been largely overcome as a result of the war, but a delay in resettlement to this area may allow the reawakening of this fear and a subsequent failure of the resettlement program.

(c) The need to rehabilitate war veterans. The transition from a professional regular army to an army of conscripts will free a large number of soldiers for the labor force and a sufficient number of industrial jobs will have to be created to absorb them.

5. *Initiation of studies:* Before the initiation of an accelerated development program, studies had to be made in the following basic fields:

(a) Industrial establishments (Day and Zimmerman report, paper factory study, sugar industry and cement factory studies, etc.).

(b) Hydraulic projects (James and Machefaux report on general water control, studies on Phung Hiep project, Quan Lo, etc.).

(c) Electric power and mining (Leerburger report on electric power, study on the Saigon heating center, thermo-electric project at Danhim).

(d) Fiscal reform projects, etc. (Lindholm study, study on general budget control).

Many of these studies have been completed; others are still in progress. Meanwhile, Vietnam is trying to execute the priority parts of its program which, with only summary studies, can be begun without any risk.

The importance of this preparatory period is obvious; without breaking bottlenecks, no real economic growth is possible.

The results achieved during this period were due principally to a sufficient level of United States aid. Taxes have been increased enough to augment the annual revenue by one billion piasters. But this increase—which represents the limit of taxation that can be tolerated until the results of the first investments make themselves felt on the gross national product—is only just enough to cover the maintenance of the civil budget and army appropriations. Actually, the need for administrative personnel in all departments absorbs almost entirely the increase in revenue. In the 1957 budget it was possible to allot only 4.34% to capital expenditures and in 1958 only 3.81%.

Investments for opening bottlenecks were made possible mostly by American aid. The 1957 and 1958 aid programs are a faithful reflection of what the Government has in mind in the way of preparing for expanded development. The aid programs for these two years particularly

emphasize the development of communications, agricultural development (especially in the PMS), the equipment of the police and civil guard, the execution of studies in industry, water control and education. Completion of these projects will provide a structure strong enough to support a rapid economic growth. It is indeed noteworthy that after only four years of existence, the Republic of Vietnam has now set its sights toward a rapid economic development.

III. THE ROLE OF UNITED STATES AID DURING THE PERIOD OF ACCELERATED DEVELOPMENT (*From 1959 on*):

Now that the situation has stabilized, security well organized, administration strengthened and the substructure substantial enough, development can be accelerated noticeably without running any risks. To assure a sustained and progressive economic growth, however, substantial investments will be needed both for capital formation and for an increase in state revenues, although one must keep in mind that in the beginning local private capital must necessarily be small and dispersed. United States aid through loans, for example, will be of great assistance in mobilizing private capital.

One of the key points in an accelerated development program is based on loans from foreign governments and international banks which in turn are dependent upon an improvement in the balance of trade and the balance of payments. These improvements, in turn, are partly dependent upon how much foreign aid becomes available in the first few years.

Insofar as foreign investment is concerned, peace and internal stability are factors which are favorable to attracting such investment. The following, however, are dependent on American aid:

- A. budgetary development, for new fiscal expenses cannot be absorbed except by substantial increases in production;
- B. equilibrium of the current trade balance; that is, for the balance between imports—for sustaining the present level of the standard of living—and exports;
- C. development of local resources for eventual financing of economic expansion;
- D. development of external sources of financing, loans and foreign investment.

The above demonstrates that the speed with which economic recovery is accomplished is dependent in large measure on the initial volume of foreign aid. It has been estimated that intensive financial and military assistance of between \$180 million and \$200 million for the next three years would enable Vietnam to meet all its military and civil needs after 1965. Less than this, or the same total amount drawn over

a longer period of time, will keep Vietnam in a state of economic dependence.

Since the beginning of 1959, many important industrial projects have been started, among them

- A. A paper mill (Parsons & Whittemore contract, end of 1958)
- B. Glass works (Contract with Brasseries at Glaciers Indochine, end of 1958)
- C. Sugar factory—Tuy Hoa (company founded beginning of 1959 and engineering in process by Taiwan Sugar Co.).
- D. Two spinning mills of 20,000 spindles each (one at Saigon and one at Tourane)
- E. Operation of the Nong-Son coal mines (first 100,000 metric tons to be mined this year. Paul Weir study completed.)

This pace of new industrial activity can be maintained only if a sufficient amount of aid is made available for another four or five years. The consequences of a premature reduction in foreign aid are manifold, particularly in light of the following considerations:

A. The Vietnamese economy is a long way from attaining a sustaining and proper balance. The productive potential remains low. Projects begun during the preparation for development stage and those begun since the beginning of 1959 will not bear fruit until 1961 or 1962.

Since the beginning of World War II and especially since 1945, Vietnam has been living off its capital funds. The estimates of national income for 1954 and 1955, and those in process for 1956, show that the annual percentage of capital formation does not exceed 10% of the national income. This is neither enough to maintain existing capital nor to provide funds for new investments. (The consensus of opinion among economists is that at least 20% is necessary.)

The trade balance still remains strongly unfavorable, despite the decrease in the rate of imports since the beginning of 1958 as a result of the stabilization policy. Vietnamese exports, at present, finance only 30% of imports for maintenance. Also, despite the attraction offered by the "free market of limited access," the rate of foreign exchange entry is still low.

B. As demonstrated above, the reconversion of Vietnam's economy is now at a critical point. Vietnam can look forward to a continuing increase in production three or four years from now, but for the present expenditures will be greater than production. Taxes and government revenue are dependent upon increases in production and until these increases are evidenced, a sustained increment of aid will be necessary. A reduction in aid will compel the halting of the development program and cause the economy to stagnate at its present level.

CONCLUSIONS

Should Vietnam achieve its goal of a healthy economic growth in less than ten years, it will represent an impressive example for the other countries of Asia. The essential factor is that foreign aid be substantial enough as well as sustained at a predictable rate; any premature diminution will interrupt the rate of growth and lead to retrogression. The alternatives for the United States are:

a. Either to begin to relieve itself of the burden of aid to Vietnam or to continue to allocate such aid on a year-to-year basis in unpredictable amounts, in which case Vietnam would return to the state of affairs that existed following Geneva, with all the dangers of economic failure and Communist subversion; or

b. the United States can keep up a relatively high and predictable volume of aid to Vietnam for another four or five years, in which case an internally stable, economically healthy country will be firmly established in an area which is vital not only to the United States but to world security as well.

ANNEX V

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The Officers and Executive Committee of the American Friends of Vietnam wish to extend their deep gratitude to the many American individuals, corporations and foundations whose generous contributions have made possible both the organization of the Conference on "Aid to Vietnam—An American Success Story" and the publication of this pamphlet. Without the support of these persons and organizations whose names are listed below our efforts as a voluntary organization could not be carried forward. During the past three years, the unselfish and farsighted response of these private citizens to our periodic appeals for assistance has enabled us to continue our programs of direct support to the people of Vietnam and our programs of public information in this country.

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